



Performance and Accountability Report

Fiscal Year 2004



Homeland
Security



Financial Information

Part II

Message from the Chief Financial Officer

November 18, 2004



Our fiscal year 2004 *Performance and Accountability Report* summarizes the most important financial and program performance information for the Department of Homeland Security. It also is our principal publication and report to the President, the Congress and the American people on our accountability and control of funds entrusted to us, and efforts to improve program performance.

The Department continued to build upon the momentum of our inaugural year by establishing a vision and direction of our program performance and financial management initiatives. We have an opportunity to do things differently at the Department and over the past year we have steadily improved our processes and systems to enable our people to build a 21st century Department. Over the past year we have:

- Subjected our consolidated financial statements to an independent audit for a second year and continued to demonstrate our commitment to accountability through improving upon our financial reporting processes.
- Built the foundation for an integrated financial management infrastructure through our eMerge² program by incorporating *Federal Financial Management Improvement Act* and *Joint Financial Management Improvement Act* Program requirements into system specifications; developing an inventory of baseline financial management and mixed systems; assessing major system problems; and enlisting the strong involvement of key stakeholders and Departmental Management.
- Established the Planning, Programming, Budgeting and Execution process to develop, review and approve the Department's *Future Years Homeland Security Program* and budget. The program provides program-funding allocations for the budget year plus four years in support of Department goals and priorities. The goals of the Planning, Programming, Budgeting and Execution process include ensuring program requirements are properly identified, planned, resourced and budgeted; programs and funding are aligned with Department goals and priorities; programs have measurable and meaningful performance outcomes key to the long-term success of the Department; and execution and performance feedback are taken into account during long-term planning.
- Continued the transition from 19 to 10 financial management centers without impairing the fulfillment of the Department's mission. Throughout fiscal year 2004, the accounting business lines previously provided by the Departments of Commerce, Defense, Energy, Health and Human Services, Justice, Agriculture and the General Services Administration were consolidated and are now provided in-house by the U.S. Immigration and Customs Enforcement. This streamlining of financial management functions enables the Department to more readily access bureau financial data, conduct department-wide financial analyses and make sound financial decisions. We continue to work towards further consolidation of financial management processes and systems, where prudent.
- Developed best-in-class standard operating policies and procedures to strengthen our financial reporting practices and foster financial management excellence throughout the Department's Chief Financial Officer community.
- Conducted a business transformation, as part of our merger and acquisition efforts, by realigning over 6,000 support services employees (both government and contractor) from the legacy U.S. Customs Service and the legacy Immigration and Naturalization Service to support the 68,000 employees of the U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement and U.S. Citizenship and Immigration Services organizations.
- Demonstrated achievement on the *President's Management Agenda* with Budget & Performance Integration rising to a status of yellow at year end. Budget & Performance Integration and Financial Performance received green progress scores each quarter from the Office of Management and Budget. Component organizations receive quarterly *President's*

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Management Agenda scores. These internal scorecards promote best financial management practices and set uniform goals throughout the Department.

In fiscal year 2004, we ensured resources were allocated to enable people in the frontline programs to accomplish the mission of the Department effectively. We've supported the work of the Homeland Security Operations Center to make resources available to respond to threat level elevations. During the hurricane season, we made resources available to maximize readiness and response efforts in areas that were impacted by these dangerous storms.

Our independent auditor issued a disclaimer report on our financial statements and identified ten material weaknesses in fiscal year 2004. Based on internal management evaluations, and in conjunction with the results of independent financial statement audit, the Department, except as noted in Part I, Management's Discussion and Analysis, and Appendix B, the Independent Auditor's Report, can provide reasonable assurance that the objectives of Section 2 (Management Controls) and Section 4 (financial management systems) of the *Federal Managers' Financial Integrity Act* have been achieved. We are in the process of correcting these issues, as well as auditor-identified weaknesses in internal controls reported this year. I believe that reporting these weaknesses reflects positively on our commitment to identify and address financial management challenges that are inevitable as we carry out what is the most complex organizational restructuring to be undertaken in the last 50 years.

The Department of Homeland Security is committed to developing a world-class financial management program and we embrace the recently enacted *Department of Homeland Security Financial Accountability Act*. We acknowledge the significant financial management challenges before us. To demonstrate our commitment to accountability, next year we will:

- Develop a strategy to implement the internal control over financial reporting provisions of the *Department of Homeland Security Financial Accountability Act*. We will use a maturity model approach for an enterprise wide internal controls testing and documentation effort that will allow Department management to make management assertions concerning the enterprise wide internal controls over financial reporting and their effectiveness in fiscal year 2006.
- Perform an operating risk assessment of the financial reporting processes to identify the key risks over Departmental financial reporting and conduct an inventory of internal control issues as compared to established criteria and federal financial reporting requirements.
- Continue efforts to implement standard financial management operating policies and procedures throughout the Department.
- Continue progress on our eMerge² program from a conference room pilot through initial implementations.
- Develop policies and procedures to ensure all fiscal year 2005 program costs are directly traced, assigned, or allocated on a reasonable and consistent basis to the Department's Strategic Goals to improve our understanding of the cost associated with the Department's mission and programs.
- Continue along the path of shared services by monitoring service level agreements to ensure efficient and effective delivery of services supporting U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement and U.S. Citizenship and Immigration Services, and pursuing opportunities for consolidation in other financial management areas across the Department.

We have made great progress under challenging circumstances. Now, with a strong, growing and motivated staff and the continued support of the Department's leadership, Office of Management and Budget and Congress, we will realize even greater progress in the coming fiscal year.

Sincerely,



Andrew Maner
Chief Financial Officer

Introduction

The Department has prepared its financial statements to report its financial position and results of operations, pursuant to the requirements of the *Accountability of Tax Dollars Act of 2002*, the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These statements include the following:

- **Consolidated Balance Sheet** – provides information on assets, liabilities and net position similarly to balance sheets reported in the private sector;
- **Consolidated Statement of Net Cost** – reports net cost of the Department's operations consisting of the gross cost incurred by the Department less any revenue received from our activities;
- **Consolidated Statement of Changes in Net Position** – reports the beginning net position, the transactions that affected the net position during the year and the ending net position;
- **Combined Statement of Budgetary Resources** – provides information on how budgetary resources were made available and their status during and at the end of the year;
- **Consolidated Statement of Financing** – reports the relationship between budgetary transactions and financial transactions; and
- **Statement of Custodial Activity** – reports the net custodial revenue received by the Department, along with sources and disposition of collections.

The responsibility for the integrity of the financial information included in these statements rests with the Department's Chief Financial Officer. An independent certified public accounting firm, selected by the Department's Inspector General, performed the audit of our financial statements. The auditor's report can be found in Appendix B of this report.

While the statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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**Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2004 and 2003
(In Millions)**

	2004 (unaudited)	2003
ASSETS		
Intra-governmental Assets		
Fund Balance with Treasury (Notes 2,3)	\$33,436	\$27,343
Investments (Note 4)	1,625	1,546
Advances and Prepayments (Note 5)	2,886	3,054
Other Intra-governmental Assets (Note 11)	481	415
Total Intra-governmental Assets	38,428	32,358
Tax, Duties, and Trade Receivables, Net (Note 6)	1,273	1,140
Operating Materials and Supplies, Inventory, Net (Notes 8,27)	496	1,162
Property, Plant and Equipment, Net (Note 10)	9,746	9,138
Other (Note 11)	863	750
TOTAL ASSETS (Note 2)	\$50,806	\$44,548
LIABILITIES		
Intra-governmental Liabilities		
Due to the Treasury General Fund (Note 6)	\$1,257	\$1,209
Accounts Payable	911	398
Other Intra-governmental Liabilities (Note 17)	563	349
Total Intra-governmental Liabilities	2,731	1,956
Accounts Payable	2,791	1,979
Claims and Claims Settlement Liabilities (Note 13)	1,417	754
Deferred Revenue and Advances from Others (Note 14)	2,020	1,969
Accrued Payroll and Benefits (Note 15)	2,692	2,275
Military Service and other Retirement Benefits (Note 16)	26,502	25,285
Other Liabilities (Note 17)	4,166	2,450
TOTAL LIABILITIES (Note 12)	42,319	36,668
Commitments and Contingencies (Notes 18,19)		
NET POSITION		
Unexpended Appropriations	25,504	23,560
Cumulative Results of Operations	(17,017)	(15,680)
TOTAL NET POSITION (Note 27)	8,487	7,880
TOTAL LIABILITIES AND NET POSITION	\$50,806	\$44,548

The accompanying notes are an integral part of these statements.

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**Department of Homeland Security
Consolidated Statement of Net Cost
For the Year Ended September 30, 2004 (unaudited)
(In Millions)**

Directorates and Other Components:	Intra-governmental	With the Public	Total
Border and Transportation Security (Note 20)			
Gross Cost	\$3,042	\$15,453	\$18,495
Less Earned Revenue	(549)	(2,359)	(2,908)
Net Cost	2,493	13,094	15,587
Emergency Preparedness and Response			
Gross Cost	690	7,220	7,910
Less Earned Revenue	(119)	(1,901)	(2,020)
Net Cost of Continuing Operations	571	5,319	5,890
Cost of Transferred Operations (Note 27)	98	-	98
Net Cost	669	5,319	5,988
Information Analysis & Infrastructure Protection			
Gross Cost	349	148	497
Less Earned Revenue	-	-	-
Net Cost	349	148	497
Science and Technology			
Gross Cost	359	396	755
Less Earned Revenue	-	-	-
Net Cost	359	396	755
United States Coast Guard			
Gross Cost	1,186	7,131	8,317
Less Earned Revenue	(90)	(67)	(157)
Net Cost	1,096	7,064	8,160
United States Secret Service			
Gross Cost	389	997	1,386
Less Earned Revenue	(18)	-	(18)
Net Cost	371	997	1,368
United States Citizenship and Immigration Service			
Gross Cost	553	1,205	1,758
Less Earned Revenue (Note 14)	15	(1,325)	(1,310)
Net Cost	568	(120)	448
Departmental Operations and Other			
Gross Cost	138	192	330
Less Earned Revenue	(5)	-	(5)
Net Cost	133	192	325
TOTAL NET COST (Notes 20, 21)	\$6,038	\$27,090	\$33,128

The accompanying notes are an integral part of these statements.

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Department of Homeland Security
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2004 (unaudited)
(In Millions)

	Cumulative Results of Operations	Unexpended Appropriations
BEGINNING BALANCES	\$(15,680)	\$23,560
Budgetary Financing Sources:		
Appropriations Received (Note 22)	-	33,410
Appropriations Transferred in(out) (Note 27)	-	(398)
Recissions and Other Adjustments (Note 3)	-	(2,398)
Appropriations Used	28,670	(28,670)
Non-exchange Revenue	2,308	-
Donations and Forfeitures of Cash/Equivalents	3	-
Transfers in(out) without Reimbursement	672	-
Other	73	-
Other Financing Sources:		
Donations and Forfeitures of Property	8	-
Transfers in(out) Without Reimbursement (Note 27)	(685)	-
Imputed Financing from costs absorbed by others	742	-
Total Financing Sources	31,791	1,944
Net Cost of Operations	(33,128)	-
ENDING BALANCES	\$(17,017)	\$25,504

The accompanying notes are an integral part of these statements.

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Department of Homeland Security
Combined Statement of Budgetary Resources
For the Year Ended September 30, 2004 (unaudited)
(In Millions)

BUDGETARY RESOURCES

Budget Authority:	
Appropriations Received	38,303
Borrowing Authority	26
Net Transfers	757
Unobligated Balance	
Beginning of Period (Note 22)	8,659
Net Transfers	41
Spending Authority from Offsetting Collections	
Earned	
Collected	6,282
Receivable from Federal Sources	9
Change in Unfilled Customer Orders	
Advance Received	87
Without Advance From Federal Sources	258
Transfers from Trust Funds	55
Subtotal	6,691
Recoveries of Prior Year Obligations	1,982
Temporarily Not Available Pursuant to Public Law	(17)
Permanently Not Available (Note 22)	(2,563)
TOTAL BUDGETARY RESOURCES	\$53,879
STATUS OF BUDGETARY RESOURCES	
Obligations incurred:	
Direct (Note 22)	\$43,628
Reimbursable (Note 22)	2,880
Total Obligations incurred	46,508
Unobligated Balance	
Apportioned	5,691
Exempt from Apportionment	42
Unobligated Balance Not Available	1,638
TOTAL STATUS OF BUDGETARY RESOURCES	\$53,879

(Continued)

The accompanying notes are an integral part of these statements.

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Department of Homeland Security
Combined Statement of Budgetary Resources, Continued
For the Year Ended September 30, 2004 (unaudited)
(In Millions)

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS

Obligated Balance, Net, Beginning of Period	\$19,689
Obligated Balance Transferred, Net	(559)
Obligated Balance, Net, End of Period	
Accounts Receivable	(437)
Unfilled Customer Orders from Federal Sources	(981)
Undelivered Orders	21,354
Accounts Payable	5,866
Total Obligated Balance, Net, End of Period	<u>\$25,802</u>
Outlays	
Disbursements	\$37,601
Collections	(6,424)
Total Outlays	<u>31,177</u>
Less: Offsetting Receipts	<u>(3,779)</u>
NET OUTLAYS	<u>\$27,398</u>

The accompanying notes are an integral part of these statements.

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**Department of Homeland Security
Consolidated Statement of Financing
For the Year Ended September 30, 2004 (unaudited)
(In Millions)**

Resources Used to Finance Activities:

Budgetary Resources Obligated

Obligations Incurred	\$46,508
Less: Spending Authority from Offsetting Collections and Recoveries	(8,673)
Obligations Net of Offsetting Collections and Recoveries	37,835
Less: Offsetting Receipts	(3,779)
Net Obligations	34,056

Other Resources

Donations and Forfeiture of Property	8
Transfers in(out) Without Reimbursement	(685)
Imputed Financing from Costs Absorbed by Others	742
Net Other Resources Used to Finance Activities	65

Total Resources Used to Finance Activities **34,121**

Resources Used to Finance Items Not Part of the Net Cost of Operations

Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	5,029
Resources that Fund Expenses Recognized in Prior Periods	578
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations:	
Offsetting Receipts - U.S. Customs and Border Protection	(1,182)
Other	(816)
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	1,575
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	(471)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	4,713

Total Resources Used to Finance the Net Cost of Operations **29,408**

(Continued)

The accompanying notes are an integral part of these statements.

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Department of Homeland Security
Consolidated Statement of Financing, Continued
For the Year Ended September 30, 2004 (unaudited)
(In Millions)

Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:

Components Requiring or Generating Resources in Future Periods:

Increase in Annual Leave Liability	202
Increase in Environmental and Disposal Liability	62
Increase in Exchange Revenue Receivable from the Public	(32)
Increase in Military Service and Other Retirement benefits	1,217
Other	919
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>2,368</u>

Components not Requiring or Generating Resources:

Depreciation and Amortization (Note 10)	1,011
Revaluation of Assets or Liabilities	39
Other	302
Total components of Net Cost of Operations that will not Require or Generate Resources	<u>1,352</u>

Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period

3,720

Net Cost of Operations

\$33,128

The accompanying notes are an integral part of these statements.

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Department of Homeland Security
Statements of Custodial Activity
For the Year Ended September 30, 2004 and the Seven Months Ended September 30, 2003
(In Millions)

	2004 (unaudited)	2003
Sources of Custodial Revenue & Collections		
Revenue Received		
Duties	\$20,966	\$11,927
User Fees	924	454
Excise Taxes	2,271	1,264
Fines and Penalties	57	43
Interest	11	8
Miscellaneous	225	3
Total Cash Collections	24,454	13,699
Accrual Adjustment	(5)	(3)
Total Custodial Revenue	24,449	13,696
Disposition of Custodial Revenue		
Transferred to Non-Federal Entities	182	59
Transferred to Federal Entities	23,287	13,082
Refunds and Drawbacks	970	558
Retained by the Department	10	(3)
Total Disposition of Custodial Revenue	24,449	13,696
Net Custodial Activity	\$0	\$0

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Department of Homeland Security was established by the *Homeland Security Act of 2002* (the Act), *Public Law (P.L.) 107-296*, dated March 25, 2002, as an executive department of the U.S. Government. The primary mission of the Department is to:

- Prevent terrorist attacks within the United States;
- Reduce the vulnerability of the United States to terrorism;
- Minimize the damage, and assist in the recovery, from terrorist attacks and natural disasters that occur within the United States;
- Carry out all functions of entities transferred to the Department, including acting as a focal point regarding natural and manmade crises and emergency planning;
- Ensure that the functions of the agencies and subdivisions within the Department that do not directly relate to securing the homeland are not diminished or neglected except by a specific, explicit Act of Congress;
- Ensure that the overall economic security of the United States is not diminished by efforts, activities and programs aimed at securing the homeland; and
- Monitor connections between illegal drug trafficking and terrorism, coordinate efforts to sever such connections, and otherwise contribute to efforts to interdict illegal drug trafficking.

The Department is composed of the following organizational elements, hereafter referred to as components:

Directorates:

Information Analysis and Infrastructure Protection Directorate (IAIP)

Border and Transportation Security Directorate (BTS):

- U.S. Customs and Border Protection (CBP)
- U.S. Immigration and Customs Enforcement (ICE), including Federal Protection Service (FPS) and Federal Air Marshal Service (FAM)
- Transportation Security Administration (TSA)
- Federal Law Enforcement Training Center (FLETC)
- Office of State and Local Government Coordination and Preparedness (SLGCP), including former Office of Domestic Preparedness (ODP)

Emergency Preparedness and Response Directorate (EPR)

Science and Technology Directorate (S&T)

Management Directorate

Other Components:

U.S. Coast Guard (USCG)

U.S. Secret Service (USSS)

U.S. Citizenship and Immigration Services (CIS)

Office of the Inspector General (OIG)

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Pursuant to the *Department's Fiscal Year 2004 Appropriations Act, P.L. 108-90*, effective October 1, 2003, the FAM program was realigned, within BTS, from TSA to ICE.

The *Fiscal Year 2004 Appropriations Act* also established the Department's Working Capital Fund, as authorized by the *Homeland Security Act of 2002*, for expenses and equipment necessary for maintenance and operations of administrative services that are determined to be performed more advantageously as central services.

On July 21, 2004, the President signed the *Project Bioshield Act of 2004, P.L. 108-276*. The act authorized the transfer of the Strategic National Stockpile (SNS) functions, personnel, assets, unexpended balances and liabilities to the Department of Health and Human Services (HHS). Pursuant to *Project Bioshield Act of 2004*, on August 13, 2004, the Department transferred the SNS from the Department's Directorate for Emergency Preparedness and Response to HHS. Although the program has been transferred operations related to the SNS activities are reflected in the Department's Consolidated Statement of Net Cost through the date of transfer.

On January 26, 2004, the Secretary, under the statutory authority for reorganization contained in the *Homeland Security Act of 2002*, notified the Congress of the Department's intent to merge the Office of Domestic Preparedness (ODP) with the Office of State and Local Government Coordination (SLGC) to form a new Office of State and Local Government Coordination and Preparedness (SLGCP). In accordance with Section 872 of the *Homeland Security Act of 2002*, this reorganization plan is considered to have become formalized 60 days after the provision of the notice. The SLGCP reports directly to the Secretary and is responsible for information flow between the Department and State and local governments, for State and local grant award functions, and for building and sustaining the terrorism preparedness of the first responder community. In addition, select grant award functions currently administered by EPR and TSA will be transferred to SLGCP, beginning in fiscal year 2005. Consequently, the Department expects to report a change of the reporting entity upon passage of the Department's fiscal year 2005 appropriation bill that will affect the presentation of net cost in the Consolidated Statement of Net Cost and related notes beginning in fiscal year 2005.

During fiscal year 2004, the Department accomplished a reduction in the number of financial management functions that maintained general ledgers and underlying controls supporting the consolidation of the Department's financial statements. Effective October 1, 2003, U.S. ICE assumed the financial management functions previously provided to the components for S&T and IAIP by the Departments of Justice, Commerce, Energy, Defense, Agriculture and the General Services Administration (GSA). In addition, CBP assumed the financial management functions previously provided for the Agricultural Quarantine Inspection Program by the Agricultural Research, United States Department of Agriculture (USDA). EPR assumed, for most of fiscal year 2004, the financial management functions previously provided for the SNS by HHS, until the SNS was transferred back to HHS as described above.

B. Basis of Accounting and Presentation

The financial statements have been prepared from the accounting records of the Department and its components in conformity with accounting principles generally accepted in the United States, and the *Office of Management and Budget (OMB) Bulletin No. 01-09, Form and Content of Agency Financial Statements*. Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), the official accounting standards-setting body of the Federal Government.

These financial statements are provided to meet the requirements of the *Accountability of Tax Dollars Act of 2002*. They consist of the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, the Consolidated Statement of Financing and the Statement of Custodial Activity as of and for the year ended September 30, 2004.

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Comparative financial information is only presented for the Consolidated Balance Sheet and the Statement of Custodial Activity and the related note disclosures. The Department obtained a waiver from OMB to present comparative fiscal year 2003 information for all other financial statements, related footnotes and supplemental information.

The Department's financial statements reflect the reporting of entity activities, which include appropriations received to conduct its operations and revenue generated from those operations. They also reflect the reporting of certain non-entity (custodial) functions it performs on behalf of the Federal Government and others (CBP has the authority to assess and collect duties, taxes and fees for the government of Puerto Rico and the Virgin Islands).

Transactions are recorded on an accrual and a budgetary basis of accounting. The Consolidated Balance Sheet, the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged. The Combined Statement of Budgetary Resources is reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Budgetary accounting generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded and services received, that will require payments during the same or future periods. The Consolidated Statement of Financing reconciles differences between the budgetary and accrual basis of accounting. Non-entity revenue and refunds are reported on the Statement of Custodial Activity using a modified cash basis. With this method, revenue from cash collections are reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals.

Intra-governmental assets and liabilities result from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal Government, such as domestic and foreign persons, organizations, or governments. Intra-governmental earned revenues are collections or accruals of revenue from other Federal agencies, and intra-governmental costs are payments or accruals to other Federal agencies. Transactions and balances among the Department's entities have been eliminated from the Consolidated Balance Sheet, the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position. As provided by *OMB Bulletin No. 01-09*, the Statement of Budgetary Resources is presented on a combined basis; therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with *OMB Bulletin No. 01-09*, intra-departmental transactions and balances have been eliminated from all the amounts on the Consolidated Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis.

While these financial statements have been prepared from the books and records of the Department in accordance with the formats prescribed by OMB, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

C. Entity Revenue and Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives annual, multi-year and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenues, non-exchange revenues and transfers-in.

Appropriations are recognized as financing sources when related expenses are incurred or assets are purchased. Revenue from reimbursable agreements is recognized when the goods or services are provided by the Department. Prices for goods and services sold to the public are based on recovery of full cost or are set at a market price. Reimbursable work between Federal

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appropriations is subject to the *Economy Act (31 U.S.C. 1535)* or other statutes authorizing reimbursement. Prices for goods and services sold to other Federal Government agencies are generally limited to the recovery of direct cost. The Department recognizes as imputed financing the amount of accrued pension and post-retirement benefit expense for current civilian employees paid on behalf of the Department by the Office of Personnel Management (OPM), as well as amounts paid from the Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments. When costs that are identifiable to the Department and directly attributable to the Department's operations are paid for by other agencies, the Department recognizes these amounts as imputed costs.

Exchange revenues are recognized when earned, i.e., goods have been delivered or services have been rendered. Non-exchange revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. Non-exchange revenues primarily consists of user fees collected by CBP to off-set certain costs of operations. Other financing sources, such as donations and transfers of assets without reimbursements, also are recognized on the Consolidated Statement of Changes in Net Position during the period in which the donations and transfers occurred.

Fees for flood mitigation products and services, such as insurance provided through EPR's National Flood Insurance Program (NFIP) are established at rates necessary to sustain a self-supporting program. NFIP premium revenues are recognized ratably over the life of the policies. Deferred revenue relates to unearned premiums reserved to provide for the remaining period of insurance coverage.

CIS requires advance payments of the fees for adjudication of applications or petitions for immigration, nationality and citizenship benefits. Revenue associated with the application fees received is not considered earned until the application is adjudicated.

D. Non-Entity Assets, Revenue and Disbursements

Non-entity assets are those held by the Department but are not available for use by the Department. Non-entity fund balance with Treasury represents funds available to pay refunds and drawback claims of duties, taxes and fees; and other non-entity amounts to be distributed to the Treasury General Fund and other Federal agencies in the future.

Non-entity revenue reported on the Department's Statement of Custodial Activity includes duties, excise taxes and various fees collected by the CBP and the CIS that are subsequently remitted to Treasury's General Fund or to other Federal agencies. CBP assesses duties, taxes and fees on goods and merchandise brought into the United States from foreign countries. At the time importers' merchandise is brought into the United States, importers are required to file entry documents. Generally, within ten working days after release of the merchandise into the United States commerce, the importer is to submit an entry document with payment of estimated duties, taxes and fees. Non-entity tax and trade accounts receivables and custodial revenue is recognized when CBP is entitled to collect duties, user fees, fines and penalties, refunds and drawback overpayments, and interest associated with import/export activity on behalf of the Federal Government that have been established as a specifically identifiable, legally enforceable claim and remain uncollected as of year-end. Generally, CBP records an equal and off-setting liability due to the Treasury General Fund for amounts recognized as non-entity tax and trade receivable and custodial revenue. CBP accrues an estimate of duties, taxes and fees related to commerce released prior to year-end where receipt of payment is anticipated subsequent to year-end.

Non-entity revenue is recognized when the cash CBP is entitled to collect on behalf of the Federal Government is received. These revenue collections primarily result from current fiscal year activities. Application fees collected by CIS for nonimmigrant petitions are recorded as deferred revenue at the time of collection.

The significant types of non-entity accounts receivable (custodial revenues as presented in the Statement of Custodial Activity) are described below.

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- **Duties:** amounts collected on imported goods and other miscellaneous taxes collected on behalf of the Federal Government.
- **Excise taxes:** amounts collected on imported distilled spirits, wines and tobacco products.
- **User fees:** amounts designed to maintain United States harbors, and to defray the cost of other miscellaneous service programs; also includes application fees collected from employers sponsoring nonimmigrant petitions.
- **Fines and penalties:** amounts collected for violations of laws and regulations.
- **Refunds:** amounts of duties, taxes and fees previously paid by an importer/exporter; also includes drawback remittance paid when imported merchandise, for which duty was previously paid, is exported from the United States.

Non-entity receivables are presented net of amounts deemed uncollectible. CBP tracks and enforces payment of estimated duties, taxes and fees receivable by establishing a liquidated damage case that generally results in fines and penalties receivable. A fine or penalty, including interest on past due balances, is established when a violation of import/export law is discovered. An allowance for doubtful collections is established for substantially all accrued fines and penalties and related interest, based on past experience in resolving disputed assessments. CBP regulations allow importers to dispute the assessment of duties, taxes and fees. Receivables related to disputed assessments are not recorded until the protest period expires or a protest decision is rendered in CBP's favor.

Refunds and drawback of duties, taxes and fees are recognized when payment is made. A permanent, indefinite appropriation is used to fund the disbursement of refunds and drawbacks. Disbursements are recorded as a decrease in the amount transferred to Treasury General Fund reported on the Statement of Custodial Activity. An accrual adjustment is recorded on the Statement of Custodial Activity to adjust cash collections and refund disbursements with the net increase or decrease of accrued non-entity accounts receivables, net of uncollectible amounts and refunds payable at year-end.

E. Fund Balance with Treasury, Cash and Other Monetary Assets

Entity fund balance with Treasury amounts are primarily appropriated, revolving, trust, deposit, receipt, special and working capital fund amounts remaining as of fiscal year-end from which the Department is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. Except for small amounts within EPR, the Department does not maintain cash in commercial bank accounts. Certain receipts are processed by commercial banks for deposit into individual accounts maintained at the U.S. Treasury. The Department's cash and other monetary assets primarily consists of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence and seized cash. Cash and other monetary assets are presented as a component of other assets in the accompanying Consolidated Balance Sheets.

F. Investments, Net

Investments consist of U.S. Government non-marketable Treasury securities and are reported at cost or amortized cost net of premiums or discounts. The Bureau of Public Debt manages certain trust fund and revolving fund investments for the Department, including the USCG Oil Spill Liability Trust Fund and EPR's National Flood Insurance Program (NFIP) revolving fund. Premiums or discounts are amortized into interest income over the terms of the investment using the effective interest method. No provision is made for unrealized gains or losses on these securities because it is the Department's intent to hold investments to maturity.

G. Advances and Prepayments

Intra-governmental advances consist primarily of EPR's disaster recovery and assistance grants to other Federal agencies tasked with mission assignments. Advances are expensed when drawn by the grant recipients. At year-end, the amount of grant funding unexpended by grant recipients is estimated, based on cash transactions reported by the grant administrator used by EPR. In accordance with OMB A-110, the Department provides advance funds to grant recipients to incur expenses related to

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the approved grant. Advances are made within the amount of the total grant obligation and are intended to cover immediate cash needs.

Advances and Prepayments to the public, presented as a component of other assets in the accompanying Consolidated Balance Sheets, consist primarily of EPR's disaster recovery and assistance grants to states and other grants to states. The largest category is Emergency Management Performance Grants, a consolidation of grant programs that supports state and local emergency management staffs and operations, insurance policy acquisition costs. Insurance policy acquisition costs include commissions incurred at policy issuance. Commissions are amortized over the period in which the related premiums are earned, generally one to three years.

H. Tax, Duties and Trade Receivables, Net

Tax, Duties and Trade Receivables consists of import duties, user fees, fines and penalties, refunds and drawback overpayments, which have been established as a specifically identifiable, legally enforceable claim and remain uncollected as of year-end. These receivables are net of amounts deemed uncollectible. Uncollectible determinations consider the debtor's payment record and willingness to pay, the probable recovery of amounts from secondary sources, such as sureties, and an analysis of aged receivable activity.

I. Accounts Receivable, Net

Accounts receivable represent amounts owed to the Department by other Federal agencies and the public as the result of the provision of goods and services to them. Intra-governmental accounts receivable results from reimbursable work such as CIS investigative services; CBP passenger processing, trade compliance and enforcement activities; EPR activities to safeguard communities around chemical weapon storage sites; TSA information technology and communication services; and USCG services provided to the Department of Defense for repairing of boats or aircraft. Intra-governmental accounts receivable are considered to be fully collectible.

Public accounts receivable consist of amounts due to CBP from commercial air and sea vessel carriers for immigration user fees, 1931 Act overtime services, surety companies breached surety bonds; reimbursable services and user fees collected and interest assessed by CBP; premiums and restitution due to EPR from Write Your Own (WYO) insurance companies participating in EPR's Federal Insurance and Mitigation Administration flood insurance program and amounts due from insurance policy holders; amounts due to the USCG's Oil Spill Liability Trust Fund to recover costs incurred to respond to oil pollution incidents and to collect civil fines and penalties from parties responsible for oil spills recognized when the claim arises; and security fees assessed by TSA on the public and air carriers. Public accounts receivable are presented net of an allowance for doubtful accounts, which is based on analyses of debtors' ability to pay, specific identification of probable losses, aging analysis of past due receivables and historical collection experience. Interest due on past due receivables is fully reserved until collected.

J. Credit Program Receivables, Net

EPR operates the Community Disaster Loan program to support any local government which has suffered a substantial loss of tax and other revenues as a result of a major disaster and which demonstrates a need for Federal financial assistance in order to perform its governmental functions. Under the program, the Department makes direct loans to local governments who meet statutorily set eligibility criteria.

Credit program receivables consist of such loans outstanding and are recorded in other assets in the accompanying Consolidated Balance Sheet. Loans are accounted for as receivables as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances. Post 1991 obligated direct loans and the resulting receivables are governed by the *Federal Credit Reform Act of 1990 (FCRA)*. Under FCRA, for direct loans disbursed during a fiscal year, the corresponding receivable is adjusted for subsidy costs. Subsidy costs are an estimated long-term cost

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to the U.S. Government of its loan programs. The subsidy cost is equal to the present value of the estimated cash outflows over the life of the loans minus the present value of the estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries and contractual fees are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults and other cash flows. EPR calculates the subsidy costs based on a subsidy calculator model created by OMB.

Loans receivable are recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded in the allowance for subsidy, which is estimated and adjusted annually, as of year-end.

K. Operating Materials, Supplies and Inventory, Net

Operating materials and supplies (OM&S) are primarily consumed during normal operations to service USCG and ICE vessels and aircraft. OM&S are valued based on the weighted moving average method or on the basis of actual prices paid. OM&S are expensed when consumed or issued for use. Excess, obsolete and unserviceable OM&S are stated at net realizable value net of an allowance based on the condition of various asset categories, as well as USCG and ICE's historical experience with using or disposing of such assets.

Inventories consist primarily of USCG Supply Fund's uniform clothing, subsistence provisions, retail stores, general stores, technical material and fuel, and USCG Yard Fund's supplies. Inventories on hand at year-end are stated at cost using standard price/specific identification, last acquisition price, or weighted average cost methods, which approximates historical cost. Revenue on inventory sales and associated cost of goods sold are recorded when merchandise is sold to the end user. USCG's inventory is restricted to sales within the USCG, and is not available for sale to other government agencies.

Pursuant to the *Project BioShield Act of 2004*, which was approved July 21, 2004, the Department transferred the SNS inventory and associated programs, effective August 13, 2004, from EPR to HHS. Additional information related to the transfer can be found in Note 27.

L. Seized and Forfeited Property

Prohibited seized and forfeited property results primarily from CBP criminal investigations and passenger/cargo processing. Seized property is not considered an asset of the Department and is not reported as such in the Department's financial statements; however, the Department has a stewardship responsibility until the disposition of the seized items are determined, i.e., judicially or administratively forfeited or returned to the entity from which it was seized. Non-prohibited seized property, including monetary instruments, real property and tangible personal property of others in the actual or constructive possession of the Department will be transferred to the Treasury Forfeiture Fund and is not presented in the accompanying consolidated financial statements of the Department.

Forfeited property is property for which the title has passed to the U.S. Government. As noted above, non-prohibited forfeited property or currency becomes assets of the Treasury Forfeiture Fund. However, prohibited forfeited items, such as counterfeit goods, narcotics, or firearms, are held by CBP until disposed or destroyed. In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 3, *Accounting for Inventory and Related Property*, analyses of changes in seized and forfeited property of prohibited items are disclosed in Note 9.

CBP will also take into custody, without risk or expense, merchandise termed "general order property," which for various reasons cannot legally enter into the commerce of the United States. CBP's sole responsibility for the general order property is to ensure the property does not enter the Nation's commerce. If general order property remains in CBP custody for a prescribed period of time, without payment of all estimated duties, storage and other charges, the property is considered unclaimed and abandoned and can be sold by CBP at public auction. Auction sales revenue in excess of charges associated with the sale or storage of the item is remitted to the Treasury General Fund. In some cases, CBP incurs charges prior to the sale and funds these costs from entity appropriations. Regulations permit CBP to offset these costs of sale before returning excess amounts to Treasury.

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M. Property, Plant and Equipment, Net

The Department's property, plant and equipment (PP&E) consists of aircraft, vessels, vehicles, land, structures, facilities, leasehold improvements, software, information technology and other equipment. PP&E is recorded at cost and is depreciated using the straight line method over the estimated useful lives of the assets. In cases where historical cost information was not maintained, PP&E is capitalized using an estimated cost based on the cost of similar assets at the time of acquisition or the current cost of similar assets discounted for inflation since the time of acquisition. The Department owns some of the buildings in which it operates. Other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties.

The multi-use heritage assets consist primarily of buildings and structures owned by CBP and USCG, and are included in general PP&E on the Consolidated Balance Sheet. The physical quantity information for the multi-use heritage assets is included in the Required Supplementary Stewardship Information for heritage assets.

In accordance with the *FASAB Technical Bulletin 2003-1*, dated June 13, 2003, and related the Department of Treasury's Financial Management Service's (FMS) guidance, PP&E transferred to the Department from legacy agencies during the seven months ended September 30, 2003, pursuant to the *Homeland Security Act of 2002*, were recorded at the net book value of the transferring agency.

The Department capitalizes acquisitions of PP&E when the cost equals or exceeds an established threshold and has a useful life of two years or more. Costs for construction projects are recorded as construction-in-progress until completed, and are valued at actual (direct) costs, plus applied overhead and other indirect costs. Capitalized internal use software includes the full cost, including an allocation of indirect costs incurred during the software development stage. The Department is developing capitalization thresholds for consistent use across all components. Until completion of such, the capitalization thresholds of the legacy agencies transferred to the Department are maintained. The ranges of capitalization thresholds used by the Department's Components, by primary asset category, are as follows:

Asset Description	Capitalization Threshold
Land	Regardless of cost to \$100,000
Buildings and improvement	\$25,000 to \$200,000
Equipment and capital leases	\$5,000 to \$50,000
Software	\$200,000 to \$750,000

The Department begins to recognize depreciation expense once the asset has been placed in service. Land is not depreciated. Depreciation on buildings and equipment leased by GSA is not recognized by the Department. Leasehold improvements are depreciated over the shorter of the term of the remaining portion of the lease, or the useful life of the improvement. Buildings and equipment acquired under capital leases are amortized over the lease term. Amortization of capitalized software begins on the date of acquisition if purchased, or when the module or component has been placed in use (i.e., successfully installed and tested) if contractor or internally developed. There are no restrictions on the use or convertibility of general PP&E.

N. Liabilities

Liabilities represent the probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. Since the Department is a component of the U.S. Government, a sovereign entity, the Department's liabilities cannot be liquidated without legislation that provides resources or an appropriation. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts, and there is no certainty that the appropriations will be enacted. The U.S. Government, acting in its sovereign capacity, can abrogate liabilities of the Department arising from other than contracts.

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O. Environmental Cleanup Costs and Contingent Liabilities

The Department has responsibility to remediate its sites with environmental contamination, and is party to various administrative proceedings, legal actions and tort claims which may result in settlements or decisions adverse to the Federal Government. The Department has accrued a liability for future cleanup of environmental hazards when losses are determined to be “probable”, which is generally when the Department is legally responsible for creating the hazard or is otherwise related in such a way that the Department is legally liable to remediate the contamination, and the cost can be estimated. These liabilities are a component of other liabilities on the accompanying Consolidated Balance Sheets.

Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Department recognizes contingent liabilities when loss is probable and reasonably estimable. The Department discloses contingent liabilities in the notes to the consolidated financial statements when the conditions for liability recognition are not met and when loss from future events is more than remote. Payments made from the Treasury Judgment Fund for settlement of the Department’s legal claims and judgments are recognized as an imputed financing source in the accompanying Consolidated Statement of Net Position.

The Department has accrued environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination.

P. Grants Liability

EPR, SLGCP (formerly ODP), and TSA award grants and cooperative agreements to Federal, state and local governments, universities, non-profit organizations and private sector companies for the purpose of building capacity to respond to disasters and emergencies, conduct research into preparedness, enhance and ensure the security of passenger and cargo transportation by air, land, or sea, and other Department-related activities. EPR estimates a year-end grant accrual representing the amounts payable to grantees, using historical disbursement patterns over a period of 20 quarters to predict unreported grantee expenditures. The SLGCP and TSA grant liability accrual is estimated using known reported expenditures reported by grantees and the estimated daily expenditure rate for the period subsequent to the latest grantee submission in relation to the cumulative grant amount. Effective October 1, 2004, TSA grants activity will be transferred to SLGCP. Grants issued by TSA through September 30, 2004 will be maintained jointly by TSA and SLGCP. Grants liabilities are combined with accounts payable to the public in the accompanying Consolidated Balance Sheet.

Q. Claims and Claims Settlement Liabilities

EPR administers the National Flood Insurance Program (NFIP) through sale or continuation-in-force of insurance in communities that enact and enforce appropriate flood plain management measures. Claims and claims settlement liability represents an estimate of NFIP losses that are unpaid at the balance sheet date and is based on the loss and loss adjustment expense factors inherent in the NFIP insurance underwriting operations experience and expectations. Estimation factors used by the insurance underwriting operations reflect current case basis estimates and give effect to estimates of trends in claim severity and frequency. These estimates are continually reviewed, and adjustments, reflected in current operations, are made as deemed necessary. Although the insurance underwriting operations believes the liability for unpaid losses and loss adjustment expenses is reasonable and adequate in the circumstances, the insurance underwriting operations’ actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the estimation of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary from the amount included in the financial statements.

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R. Debt and Borrowing Authority

Debt is reported within other intra-governmental liabilities and results from Treasury loans and related interest payable to fund NFIP and Disaster Assistance Direct Loan Program (DADLP) operations. NFIP loan and interest payments are financed by flood premiums and map collection fees. Additional funding for NFIP may be obtained through Treasury borrowing authority of \$1.5 billion. DADLP annually requests borrowing authority to cover the principal amount of direct loans not to exceed \$25 million less the subsidy due from the program account. DADLP borrowing authority is for EPR “State Share Loans”. Borrowing authority for Community Disaster Loans is requested on an “as needed basis”. At the end of the fiscal year, borrowing authority is reduced by the amount of any unused portion.

S. Annual, Sick and Other Accrued Leave

Earned annual and other vested compensatory leave is an accrued liability. The liability is reduced as leave is taken. At year-end, the balances in the accrued leave accounts are adjusted to reflect the liability at current pay rates and leave balances, and are reported within accrued payroll and benefits in the Consolidated Balance Sheet. Sick leave and other types of non-vested leave are not earned benefits. Accordingly, non-vested leave is expensed when used.

T. Workers’ Compensation

A liability is recorded for actual and estimated future payments to be made for workers’ compensation pursuant to the *Federal Employees’ Compensation Act* (FECA). The actual liability is presented as a component of intra-governmental other liabilities, and the actuarial liability is presented within accrued payroll and benefits in the accompanying Consolidated Balance Sheet. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from Federal agencies employing the claimants. Reimbursement to DOL on payments made occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intra-governmental liability are made available to the Department as part of its annual appropriation from Congress in the year in which the reimbursement takes place.

Additionally, a liability due to the public is recorded that includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability is determined using an actuarial method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The Department allocates the actuarial liability to its components based on payment history provided by DOL. The accrued liability is not covered by budgetary resources and will require future funding.

U. Military Service and Other Retirement Benefits

DHS and Component Civilian Workforce Pension and Other Benefits

The Department recognizes the full annual cost of its civilian employees’ pension benefits; however, the assets of the plan and liability associated with pension costs are recognized by the OPM rather than the Department.

Most employees of the Department hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS), to which the Department contributes 8.5 percent of base pay for regular CSRS employees, and 9 percent of base pay for law enforcement agents.

The majority of employees hired after December 31, 1983 are covered by the Federal Employees Retirement System (FERS) and Social Security. For the FERS basic annuity benefit the Department contributes 10.7 percent of base pay for regular FERS employees and 22.7 percent for law enforcement agents. A primary feature of FERS is that it also offers a defined contribution plan to which the Department automatically contributes 1 percent of base pay and matches employee contributions up to an

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additional 4 percent of base pay. The Department also contributes the employer's Social Security matching share for FERS participants. Information regarding FERS can be found at the following website: <http://www.tsp.gov>.

Similar to CSRS and FERS, OPM rather than the Department reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program and Federal Employees Group Life Insurance Program. The Department is required to report the full annual cost of providing these other retirement benefits (ORB) for its retired employees as well as reporting contributions made for active employees. In addition, the Department recognizes an expense and liability for other post employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries and covered dependents.

The difference between the full annual cost of CSRS or FERS retirement, ORB and OPEB benefits and the amount paid by the Department is recorded as an imputed cost and off-setting imputed financing source in the accompanying Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position and Consolidated Statement of Financing.

USCG – Military Retirement System Liability

The USCG Military Retirement System (MRS) is a defined benefit plan that covers both retirement pay and health care benefits for all active duty and reserve military members of the USCG. The plan is funded through annual appropriations and, as such, is a pay-as-you-go system. The unfunded accrued liability reported on the accompanying Consolidated Balance Sheet is actuarially determined by subtracting the present value of future employer/employee contributions, as well as any plan assets, from the present value of the future cost of benefits. Current period expense is computed using the aggregate entry age normal actuarial cost method.

A portion of the accrued MRS liability is for the health care of non-Medicare eligible retirees/survivors. Effective October 1, 2002, USCG transferred its liability for the health care of Medicare eligible retirees/survivors to the Department of Defense (DoD) Medicare-Eligible Retiree Health Care Fund (the Fund), which was established in order to finance the health care benefits for the Medicare-eligible beneficiaries of all DoD and non-DoD uniformed services. DoD is the administrative entity and in accordance with SFFAS No. 5, is required to recognize the liability on the Fund's financial statements. The USCG makes monthly payments to the Fund for current active duty members. Benefits for USCG members who retired prior to the establishment of the Fund are provided by payments from the Treasury to the Fund. The future cost and liability of the Fund is determined using claim factors and claims cost data developed by the DoD, adjusted for USCG retiree and actual claims experience. The USCG uses the current year actual costs to project costs for all future years.

USCG – Post-employment Military Travel Benefit

USCG uniformed service members are entitled to travel and transportation allowances for travel performed or to be performed under orders, without regard to the comparative costs of the various modes of transportation. These allowances, upon separation from the service, include the temporary disability retired list placement, release from active duty, retirement and entitlement for travel from the member's last duty station to home or the place from which the member was called or ordered to active duty, whether or not the member is or will be an active member of a uniformed service at the time the travel is or will be performed.

USCG recognizes an expense and a liability for this OPEB when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. The OPEB liability is measured at the present value of future payments, which requires the USCG to estimate the amount and timing of future payments, and to discount the future outflow using the Treasury borrowing rate for securities of similar maturity to the period over which the payments are made.

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USSS – Uniformed Division and Special Agent Pension Liability

The District of Columbia Police and Fireman's Retirement System (the DC Pension Plan) is a defined benefit plan that covers USSS Uniformed Division and Special Agents. The DC Pension Plan makes benefit payments to retirees and/or their beneficiaries. The USSS receives permanent, indefinite appropriations each year to pay the excess of benefit payments over salary deductions. The DC Pension Plan is funded through annual appropriations and, as such, is a pay-as-you-go system. The unfunded accrued liability reported on the accompanying Consolidated Balance Sheet is actuarially determined by subtracting the present value of future employer/employee contributions, as well as any plan assets, from the present value of future cost of benefits. Current period expense is computed using the aggregate cost method.

V. Use of Estimates

Management has made certain estimates and assumptions in the reporting of assets, liabilities, revenues, expenses, obligations incurred, spending authority from offsetting collections and note disclosures in the consolidated financial statements. Actual results could differ from these estimates. Significant estimates include: the allocation of trust fund receipts, year-end accruals of accounts and grants payable, contingent legal and environmental liabilities, accrued workers' compensation, allowance for doubtful accounts receivable, allowances for obsolete inventory and OM&S balances, allocations of indirect common costs to construction-in-progress, subsidy re-estimates, deferred revenues, NFIP claims and settlements, MRS and other pension, retirement and post-retirement benefit assumptions, and certain non-entity receivables and payables related to custodial activities. Certain accounts payable balances are estimated based on current payments that relate to prior periods or a current assessment of services/products received but not yet paid.

W. Taxes

The Department, as a Federal agency, is not subject to Federal, state or local income taxes and accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

X. Reclassifications

Certain 2003 balances have been reclassified for consistent disclosures with 2004 balances.

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2. Non-Entity Assets

Non-entity assets at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Intra-governmental:		
Fund Balance with Treasury	\$3,342	\$1,720
Receivables Due From Treasury (note 11)	170	109
Total Intra-governmental	3,512	1,829
Public:		
Tax, Duties and Trade Receivables, Net (note 6)	1,273	1,140
Other	36	64
Total Public	1,309	1,204
Total Non-Entity Assets	4,821	3,033
Total Entity Assets	45,985	41,515
Total Assets	\$50,806	\$44,548

Non-entity fund balance with Treasury consists of special and deposit funds, permanent appropriations and miscellaneous receipts that are available to pay non-entity liabilities presented as a component of other liabilities on the Consolidated Balance Sheet. Non-entity fund balance with Treasury at September 30, 2004 and 2003, includes (in deposit fund) approximately \$2.9 billion (unaudited) and \$1.4 billion of duties collected by CBP on imports of Canadian softwood lumber and \$375 million (unaudited) and \$247 million (in special fund) Injured Domestic Industries (IDI) at September 30, 2004 and 2003, respectively. These assets off-set accrued liabilities at September 30, 2004 and 2003 (see note 17). Non-entity fund balance with Treasury also consists of trust-related assets primarily from cash held on behalf of obligors and fees, fines and penalties collected that are managed by CIS.

Non-entity receivables due from Treasury represent an estimate of duty, tax and/or fee refunds and drawbacks that will be reimbursed by a permanent and indefinite appropriation account and will be used to pay estimated duty refunds and drawbacks payable of \$132 million (unaudited) and \$98 million at September 30, 2004 and 2003, respectively (see note 17). Duties and taxes receivable from public represents amounts due from importers for goods and merchandise imported to the United States, and upon collection, will be available to pay the accrued intra-governmental liability due to the Treasury General Fund, which equaled \$1.3 billion (unaudited) and \$1.2 billion at September 30, 2004 and 2003, respectively.

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3. Fund Balance with Treasury

A. Fund Balance with Treasury

Fund Balance with Treasury at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Appropriated Funds	\$27,587	\$23,645
Trust Funds	48	74
Revolving, Liquidating and Working Capital Funds	435	237
Special Funds	2,131	1,709
Deposit Funds	3,235	1,678
Total Fund Balance with Treasury	\$33,436	\$27,343

Appropriated funds consist of amounts appropriated annually by Congress to fund the operations of the Department and its components. Appropriated funds include clearing funds totaling a negative \$457 million and \$316 million at September 30, 2004 and 2003, respectively, which represent reconciling differences with Treasury balances.

Trust funds are both receipt accounts and one or more expenditure accounts that are designated by law as a trust fund. Trust fund receipts are used for specific purposes, generally to offset the cost of expanding border and port enforcement activities, oil spill related claims and activities, or to hold CIS bond receipts.

Revolving funds are used for continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. The working capital fund is a fee-for-service fund established to support operations of Department component bureaus. Also included are the liquidating and financing funds for credit reform and the national flood insurance fund of \$321 million and \$84 million at September 30, 2004 and 2003, respectively.

Special funds are receipts and/or off-setting receipt funds earmarked for specific purposes including the disbursement of non-entity monies received in connection with antidumping and countervailing duty orders and findings to qualifying IDI of \$375 million and \$247 million at September 30, 2004 and 2003, respectively. The Department also has entity special funds for immigration user fees of \$154 million and \$89 million at September 30, 2004 and 2003, respectively; CBP user fees of \$730 million (unaudited) and \$640 million at September 30, 2004 and 2003, respectively; immigration examination fees of \$715 and \$470 million at September 30, 2004 and 2003 respectively; and inspection fees, flood map modernization subsidy, off-set and refund transfers.

Deposit funds represent amounts received as an advance that are not accompanied by an order and include non-entity collections that do not belong to the Federal Government and for which final disposition has not been determined at year end, including \$2.9 billion and \$1.4 billion of duties collected on imports of Canadian softwood lumber at September 30, 2004 and 2003, respectively (see notes 2 and 17).

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B. Status of Fund Balance with Treasury

The status of fund balance with Treasury at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Unobligated Balances:		
Available	\$5,718	\$6,657
Unavailable	1,638	2,888
Obligated Balance Not Yet Disbursed	25,802	19,642
Subtotal	33,158	29,187
Adjustments for:		
Receipt, Clearing and Deposit Funds	3,466	1,366
Borrowing Authority	(1,500)	(1,608)
Investments	(1,612)	(1,537)
Receivable Transfers and Imprest Fund	(76)	(65)
Total Status of Fund Balance with Treasury	\$33,436	\$27,343

Adjustments are made to reconcile the budgetary status to fund balance with Treasury for the following reasons:

- Receipt, clearing and deposit funds represent amounts on deposit with Treasury that have no budget status at September 30, 2004 and 2003. Included in adjustments for deposit funds are restricted balances of \$2.9 billion and \$1.4 billion at September 30, 2004 and 2003, respectively, of non-entity funds, and receipts that are not available for obligation.
- Borrowing authority is in budgetary status for use by EPR for disaster relief purposes.
- Budgetary resources have investments included; however, the money has been moved from the Fund Balance with Treasury asset account to investments.
- Receivable transfers of currently invested balances increases the budget authority at the time the transfer is realized and obligations may be incurred before the actual transfer of funds.
- Imprest funds the money has been moved from fund balance with Treasury to imprest funds with no change in the budgetary status.

Portions of the unobligated balances available, unavailable and obligations balance not yet disbursed contains CBP's user fees account balance of \$730 and \$640 million (at September 30, 2004 and 2003), which is restricted by law in its use to offset costs incurred by CBP until authority is granted through appropriations acts.

Portions of the unobligated balance unavailable includes amounts appropriated in prior fiscal years that are not available to fund new obligations. However, it can be used for upward and downward adjustments for existing obligations in future years.

The obligated not yet disbursed balance represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made. Part of this balance contains obligations from the disaster relief fund of \$6.4 billion (unaudited) and \$8.1 billion at September 30, 2004 and 2003, respectively.

The Department returned to Treasury \$214 million (unaudited) and \$65 million (unaudited) for indefinite no-year authority; and \$2.3 billion (unaudited) and \$1.5 billion in authority unavailable for obligations pursuant to public law respectively (e.g. rescissions), during the year ended September 30, 2004 and the seven months ended September 30, 2003, respectively; and \$26 million (unaudited) in borrowing authority was returned during the year ended September 30, 2004.

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4. Investments

Investments at September 30 consisted of the following (in millions):

Type of Investment	2004 (unaudited)	2003
<i>U.S. Treasury Securities:</i>		
USCG – Non-Marketable, Par Value	\$839	\$965
EPR – Non-Marketable, Market-Based	786	581
Total Intra-governmental Investments	\$1,625	\$1,546

Non-marketable, market-based investments include discounts of \$13 million (unaudited) and \$9 million at September 30, 2004 and 2003 respectively; in addition, market value of investments approximates cost.

Unexpended funds in the USCG oil spill liability trust fund (oil spill fund) and the gift fund are invested by the U.S. Treasury – Bureau of Public Debt in U.S. government securities. Interest and principal on invested balances in the USCG's oil spill fund are considered investment authority and are available for use by the USCG to offset the cost of oil spill cleanup, payment of environmental claims against the fund and for specific funding of cleanup related operations. EPR maintains investments for the gifts and bequests fund and the NFIP. EPR investments are restricted to Treasury bonds, bills, notes and overnight securities. The current EPR investments portfolio consists principally of overnight securities, which have neither market value variances nor unamortized premium or discount.

5. Advances and Prepayments – Intra-governmental

Intra-governmental advances and prepayments at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Disaster Relief Fund	\$2,718	\$2,816
Other	168	238
Total Intra-governmental Advances and Prepayments	\$2,886	\$3,054

Disaster relief fund (DRF) advances consists of EPR's disaster assistance grants to other Federal agencies tasked with mission assignments that support state and local emergency management staffs and operations.

Advances and prepayments made to the public are presented as a component of other assets on the accompanying Consolidated Balance Sheets (see note 11).

Financial Information

6. Tax, Duties and Trade Receivables, Net

Tax, duties and trade receivables at September 30 consisted of the following (in millions):

As of September 30, 2004 (unaudited):

Receivables Category	Gross Receivables	Allowance	Total Net Receivables
Duties	\$1,127	(\$95)	\$1,032
Excise Taxes	73	(2)	71
User Fees	80	(1)	79
Fines/Penalties	798	(745)	53
Refunds and Drawback	180	(142)	38
Total Tax, Duties and Trade Receivables, Net	\$2,258	(\$985)	\$1,273

As of September 30, 2003:

Receivables Category	Gross Receivables	Allowance	Total Net Receivables
Duties	\$1,020	(\$102)	\$918
Excise Taxes	73	(1)	72
User Fees	71	(1)	70
Fines/Penalties	694	(621)	73
Refunds and Drawback	36	(29)	7
Total Tax, Duties and Trade Receivables, Net	\$1,894	(\$754)	\$1,140

When a violation of import/export law is discovered, a fine or penalty is established, typically for the full value of the merchandise. After receiving the notice of assessment, the importer or surety has a period of time to either file a petition requesting a review of the assessment or pay the assessed amount. Once a petition is received, CBP investigates the circumstances as required by its mitigation guidelines and directives. Until this process has been completed, CBP records an allowance on fines and penalties of approximately 94 percent (90 percent at September 30, 2003) of the total assessment based on historical experience of fines and penalties mitigation and collection. Duties and taxes receivable are non-entity assets for which there is an offsetting liability due to the Treasury General Fund.

Financial Information

7. Credit Program Receivables, Net

A. Summary of Direct Loans to Non-Federal Borrowers at September 30 (in millions):

	2004 (unaudited)	2003
	Loans Receivable, Net	Loans Receivable, Net
Community Disaster Loans	\$6.8	\$14.5

An analysis of loans receivable and the nature and amounts of the subsidy and administrative costs associated with the direct loans is provided in the following sections.

B. Direct Loans Obligated Prior to Fiscal Year 1992 (Present Value Method, in millions):

Direct loans obligated prior to fiscal year 1992 have been fully collected during fiscal year 2004, and therefore no balances remained as of September 30, 2004 (unaudited).

	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans
At September 30, 2003:				
Community Disaster Loans	\$1.167	\$0.004	(\$0.017)	\$1.154

C. Direct Loans Obligated After FY 1991 (in millions):

	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
At September 30, 2004 (unaudited):				
Community Disaster Loans	\$129.4	\$62.5	(\$185.1)	\$6.8

	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
At September 30, 2003:				
Community Disaster Loans	\$130.9	\$54.5	(\$171.0)	\$14.4

D. Total Amount of Direct Loans Disbursed, Post-1991: None.

E. Subsidy Expense for Direct Loans by Program and Component (in millions):

Subsidy Expense for New Direct Loans Disbursed: None

Modifications and Re-estimates (Prior reporting year): \$4.5

Total Direct Loan Subsidy Expense: None

Financial Information

F. Direct Loan Subsidy Rates

The direct loan subsidy rates, by component, are as follows:

	2004 (unaudited)		2003	
	Community Disaster Loans	State Share Loans	Community Disaster Loans	State Share Loans
Interest Subsidy Cost	2.48 %	(2.40) %	(0.84) %	(4.48) %
Default Costs	- %	- %	- %	- %
Other	90.78 %	0.38 %	93.01 %	0.38 %

G. Schedule for Reconciling Subsidy Cost Allowance Balances (in millions):

	2004 (unaudited)	2003
Beginning Balance of the Subsidy cost allowance	\$171	\$163
Adjustments:		
(a) Loans written off	(1.7)	-
(b) Subsidy allowance amortization	11.3	8
Ending balance of the subsidy cost allowance before reestimates	180.6	171
Add subsidy reestimate by component		
(a) Technical/default reestimate	4.5	-
Ending balance of the subsidy cost allowance	\$185.1	\$171

H. 2004 Administrative Expenses (unaudited) (in millions):

Community Disaster and State Share Loans	\$.5
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Financial Information

8. Operating Materials, Supplies, Inventory and Stockpile, Net (unaudited)

Operating materials and supplies (OM&S), inventory and stockpile, net at September 30, consisted of the following (in millions):

	2004 (unaudited)	2003
OM&S		
Items Held for Use	\$360	\$417
Items Held for Future Use	84	80
Excess, Obsolete and Unserviceable Items	7	10
Less: Allowance for Losses	(7)	(10)
Total OM&S, Net	444	497
Inventory		
Inventory Purchased for Resale	53	58
Less: Allowance for Losses	(1)	(1)
Total Inventory, Net	52	57
Strategic National Stockpile (note 27)	-	608
Total OM&S, Inventory and Stockpile, Net	\$496	\$1,162

The Strategic National Stockpile was transferred to the Department of Health & Human Services (HHS) on August 13, 2004, as further explained in note 27.

Financial Information

9. Prohibited Seized Property (unaudited)

Prohibited seized property item counts, as of September 30, and activity for the fiscal year ended September 30, 2004 and the seven months ended September 30, 2003, are as follows:

Seizure Activity						
Seized Property:	Fiscal Year Ended September 30, 2004					Seized Property:
Category	Balance October 1, 2003	New Seizures	Remissions	New Forfeitures	Adjustments	September 30 Weight/Items
Illegal Drugs:						
Cannabis (marijuana)	331	560,809	0	(561,551)	2,587	2,176
Cocaine	153	36,632	0	(36,630)	(11)	144
Heroin	22	1,591	0	(1,597)	2	18
Firearms and Explosives	7,757	3,830	(3,145)	(634)	(20)	7,788
Counterfeit Currency (US/ Foreign)	2,853,395	1,346,492	(1,112,180)	0	(199,964)	2,887,743
Pornography	178	353	(5)	(367)	(26)	133
Forfeiture Activity						
Forfeited Property:	Fiscal Year Ended September 30, 2004					Forfeited Property:
Category	Balance October 1, 2003	New Forfeitures	Transfers	Destroyed	Adjustments	September 30 Weight/Items
Illegal Drugs:						
Cannabis (marijuana)	113,531	561,551	(6,114)	(521,349)	(48,962)	98,657
Cocaine	16,970	36,630	(298)	(34,971)	(983)	17,348
Heroin	2,977	1,597	(8)	(13,980)	11,959	2,545
Firearms and Explosives	1,340	634	(1,699)	(39)	61	297
Pornography	80	367	0	(414)	4	37

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Prohibited Seized Property, Continued (unaudited)

Seizure Activity						
Seized Property:	Seven Months Ended September 30, 2003					Seized Property:
Category	Balance March 1, 2003	New Seizures	Remissions	New Forfeitures	Adjustments	September 30 Weight/Items
Illegal Drugs:						
Cannabis (marijuana)	1,191	321,745	0	(322,573)	(32)	331
Cocaine	164	19,298	0	(19,280)	(29)	153
Heroin	18	382	0	(381)	3	22
Firearms and Explosives	6,992	2,554	(396)	(1,390)	(3)	7,757
Counterfeit Currency (US/ Foreign)	2,892,538	224,215	(165,877)	0	(97,481)	2,853,395
Pornography	235	153	(3)	(187)	(20)	178
Forfeiture Activity						
Forfeited Property:	Seven Months Ended September 30, 2003					Forfeited Property:
Category	Balance March 1, 2003	New Forfeitures	Transfers	Destroyed	Adjustments	September 30 Weight/Items
Illegal Drugs:						
Cannabis (marijuana)	160,105	322,573	0	(359,768)	(9,379)	113,531
Cocaine	14,309	19,280	(23)	(16,221)	(375)	16,970
Heroin	4,033	381	(31)	(1,373)	(33)	2,977
Firearms and Explosives	292	1,390	(2)	(5)	(335)	1,340
Pornography	89	187	(1)	(202)	7	80

This schedule is presented for material prohibited (non-valued) seized and forfeited property only. These items are retained and ultimately destroyed by CBP and USSS and are not transferred to the Departments of Treasury or Justice Asset Forfeiture Funds or other Federal agencies. Adjustments include reclassification of property categories and minor adjustments to the balances transferred-in on March 1, 2003. The ending balance for firearms includes only those seized items that can actually be used as firearms. Illegal drugs are presented in kilograms and a significant portion of the weight includes packaging, which often cannot be reasonably separated from the weight of the drugs since the packaging must be maintained for evidentiary purposes. Firearms, explosives and pornography are presented in number of items; and counterfeit currency is presented in number of bills.

USCG also seizes and takes temporary possession of small boats, equipment, contraband and other illegal drugs. USCG usually disposes of these properties within three days by transfer to CBP (who transfers non-prohibited seized property to the Treasury Forfeiture Fund), the Drug Enforcement Administration, or foreign governments, or by destroying it. Because USCG never takes ownership of the property and keeps it for a short duration, seized property in USCG possession at year end is considered insignificant and therefore is not itemized and is not reported in the consolidated financial statements of the Department.

Financial Information

10. Property, Plant and Equipment, Net

Property, plant and equipment (PP&E), at September 30 consisted of the following (in millions):

As of September 30, 2004 (unaudited):	Service Life	Gross Cost	Accumulated Depreciation/ Amortization	Total Net Book Value
Land and Land Rights	N/A	\$54	\$ -	\$54
Improvements to Land	3-50 yrs	23	10	13
Construction in Progress	N/A	1,570	-	1,570
Buildings, Other Structures and Facilities	2-50 yrs	3,556	1,697	1,859
Equipment:				
ADP Equipment	3-5 yrs	280	115	165
Aircraft	10-20 yrs	2,885	1,919	966
Vessels	5-10 yrs	4,045	1,843	2,202
Vehicles	3-6 yrs	484	311	173
Other Equipment	2-20 yrs	3,418	1,500	1,918
Assets Under Capital Lease	2-20 yrs	81	21	60
Leasehold Improvements	3-50 yrs	264	62	202
Internal Use Software	3-10 yrs	694	162	532
Internal Use Software- in Development	N/A	32	-	32
Total Property, Plant and Equipment		\$17,386	\$7,640	\$9,746

As of September 30, 2003:	Service Life	Acquisition Cost (with Transfers at NBV)	Accumulated Depreciation/ Amortization (unaudited)	Total Net Book Value	Unaudited Net Book Value
Land and Land Rights	N/A	\$54	\$ -	\$54	\$40
Improvements to Land	3-50 yrs	7	-	7	-
Construction in Progress	N/A	1,377	-	1,377	665
Buildings, Other Structures and Facilities	2-50 yrs	1,894	31	1,863	1,084
Equipment:					
ADP Equipment	3-5 yrs	34	6	28	-
Aircraft	10-20 yrs	1,152	102	1,050	617
Vessels	5-10 yrs	2,264	77	2,187	134
Vehicles	3-6 yrs	368	168	200	1
Other Equipment	2-20 yrs	1,803	31	1,772	299
Leasehold Improvements	3-50 yrs	160	7	153	-
Internal Use Software	3-10 yrs	236	34	202	38
Internal Use Software – in Development	N/A	245	-	245	-
Total Property, Plant and Equipment		\$9,594	\$456	\$9,138	\$2,878

Financial Information

Change in Presentation of Book Value

In accordance with *FASAB Technical Bulletin 2003-1 (TB 2003-1), Certain Questions and Answers Related to the Homeland Security Act of 2002*, for the seven months ended September 30, 2003, the Department presented legacy assets within the principle financial statements, as assets that were transferred at book value net of the accumulated depreciation book value.

Beginning in fiscal year 2004, the assets transferred into the Department during 2003 are presented at gross acquisition cost, less accumulated depreciation since acquisition, resulting in increases in these amounts when compared with the 2003 presentation; however, there is no effect of this change on the total net book value of the transferred assets. Although the presentation in the financial statement notes has changed from 2003 (presented assets equal to net book value) to 2004 (present assets and accumulated depreciation at gross book value), the underlying accounting and presentation for PP&E remains consistent with TB 2003-1 and SFFAS No. 6, *Accounting for Property, Plant and Equipment*.

The formation of the Department of Homeland Security, pursuant to the *Homeland Security Act of 2002*, constituted a government re-organization as opposed to a transfer of assets. Therefore, all Department assets, regardless of origin are presented at book value.

Cost Basis Conversion (unaudited):

As of September 30, 2004:	As of 9/30/03 (with March 1 transfers at NBV)	Accumulated Depreciation/ Amortization at 3/1/03	Conversion to Acquisition Cost Basis at 9/30/03	FY 2004 Net Additions	Other Adjustments/ Reclassifications	Gross Cost Basis at 9/30/04
Land and Land Rights	\$54	\$ -	\$54	\$ -	\$ -	\$54
Improvements to Land	7	14	21	2	-	23
Construction in Progress	1,377	-	1,377	193	-	1,570
Buildings, Other Structures and Facilities	1,894	1,609	3,503	124	(71)	3,556
Equipment:						
ADP Equipment	34	-	34	246	-	280
Aircraft	1,152	1,756	2,908	(23)	-	2,885
Vessels	2,264	1,656	3,920	125	-	4,045
Vehicles	368	21	389	95	-	484
Other Equipment	1,803	1,069	2,872	546	-	3,418
Assets Under Capital Lease	-	4	4	6	71	81
Leasehold Improvements	160	15	175	89	-	264
Internal Use Software	236	29	265	429	-	694
Internal Use Software- in Development	245	-	245	(213)	-	32
Total Property, Plant and Equipment	\$9,594	\$6,173	\$15,767	\$1,619	\$0	\$17,386

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Accumulated Depreciation Conversion (unaudited):

As of September 30, 2004:	As of 9/30/03 (with March 1 transfers at NBV)	Accumulated Depreciation/ Amortization at 3/1/03	Conversion to Acquisition Cost Basis at 9/30/03	FY 2004 Depreciation Expense and Disposition	Other Adjustments/ Reclassifications	Gross Accumulated Depreciation at 9/30/04
Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Improvements to Land	-	14	14	(4)	-	10
Construction in Progress	-	-	-	-	-	-
Buildings, Other Structures and Facilities	31	1,609	1,640	63	(6)	1,697
Equipment:						
ADP Equipment	6	-	6	109	-	115
Aircraft	102	1,756	1,858	61	-	1,919
Vessels	77	1,656	1,733	110	-	1,843
Vehicles	168	21	189	122	-	311
Other Equipment	31	1,069	1,100	400	-	1,500
Assets Under Capital Lease	-	4	4	11	6	21
Leasehold Improvements	7	15	22	40	-	62
Internal Use Software	34	29	63	99	-	162
Internal Use Software- in Development	-	-	-	-	-	-
Total Property, Plant and Equipment	\$456	\$6,173	\$6,629	\$1,011	\$0	\$7,640

11. Other Assets

Other assets at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Intra-governmental:		
Accounts Receivable	\$311	\$306
Receivables Due From Treasury (note 2)	170	109
Total Intra-governmental	481	415
Public:		
Accounts Receivable and Related Interest	773	591
Allowance for Doubtful Accounts	(375)	(291)
Advances and Prepayments	356	365
Cash and Other Monetary Assets	87	59
Credit Program Receivables, Net (note 7)	7	15
Other	15	11
Total Public	863	750
Total Other Assets	\$1,344	\$1,165

Intra-governmental accounts receivable results from reimbursable work performed by USCG, ICE, EPR, TSA and CBP. Accounts receivable with the public consists of amounts due to CBP, TSA, EPR, USCG and ICE for reimbursable services and user fees. Advances and prepayments with the public consist primarily of National Flood Insurance payments made by EPR.

Financial Information

12. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Intra-governmental:		
Accrued FECA Liability (note 15)	\$240	\$178
Other	10	12
Total Intra-governmental	250	190
Public:		
Military Service and Other Retirement Benefits (note 16)	26,502	25,285
Accrued Payroll and Benefits:		
Accrued Leave (note 15)	663	461
Other Employment Related Liability (note 15)	105	184
Actuarial FECA Liability (note 15)	1,398	1,125
Claims and Claims Settlement Liabilities (note 13)	9	44
Other:		
Environmental Cleanup Costs (note 19)	144	98
Contingent Liabilities (note 19)	54	58
Capital Lease Liability (notes 17 and 18)	148	167
Other	-	3
Total Public	29,023	27,425
Total Liabilities Not Covered by Budgetary Resources	\$29,273	\$27,615
Liabilities Covered by Budgetary Resources or Non-Entity Assets	13,046	9,053
Total Liabilities	\$42,319	\$36,668

The Department anticipates that the liabilities listed above will be funded from future budgetary resources when required. Budgetary resources are generally provided for unfunded leave when it is used. The USCG's environmental liability for 2004 increased to \$159 million (\$144 million unfunded) from \$98 million unfunded. This increase is due to a revised estimating methodology that considers cost indexing and unknown contingency factor usage on various shore sites; new liabilities associated with lighthouse and small arms firing ranges sites; and a revised methodology for estimating the environmental liability for vessel cleanup and decommissioning to provide more consistency by vessel type.

13. Claims and Claims Settlement Liabilities

	2004 (unaudited)	2003
National Flood Insurance Program	\$1,357	\$672
Cerro Grande Fire Assistance Act	60	82
Total Claims and Claims Settlement Liabilities	\$1,417	\$754

Financial Information

A. National Flood Insurance Program (NFIP)

The NFIP liability for unpaid losses and related loss adjustment expenses and amounts paid for the year ended September 30, 2004 and the seven months ended September 30, 2003 (unaudited) consisted of the following (in millions):

	2004 (unaudited)	2003
Transferred-in NFIP liability (March 1, 2003)	\$ -	\$59
Beginning Balance – September 30, 2003	672	-
Incurred losses and increase estimated losses	1,505	803
Less: Amounts paid during current period	(820)	(190)
Total NFIP Liability at September 30	\$1,357	\$672

The increase in incurred losses was primarily due to the four hurricanes (Charley, Frances, Ivan and Jeanne) that damaged the State of Florida and other U.S. coastal areas during the months of August and September 2004.

B. Cerro Grande Fire Assistance Act

The U.S. Department of Interior, National Park Service initiated a prescribed burn that resulted in the loss of Federal, state, local, Indian tribal and private property. In July 2000, Congress passed the *Cerro Grande Fire Assistance Act* (CGFAA) to compensate as fully as possible those parties who suffered damages from the Cerro Grande Fire.

At September 30, 2004 and 2003, the liability for unpaid claims and claim adjustment expenses represents an estimate of the known probable and estimable losses that are unpaid as of September 30, 2004 and 2003, based on the Final Rules dated March 21, 2001, entitled, the Disaster Assistance: Cerro Grande Fire Assistance, Final Rule, published in the *Federal Register Part II at 44 Code of Federal Regulations Chapter I, Part 295*. This estimated claims liability for September 30, 2004 and 2003, includes \$9 million (unaudited) and \$44 million, respectively, which is unfunded.

Financial Information

14. Deferred Revenue and Advances from Others

Deferred revenue at September 30, and CIS application fee activity for the year end September 30, 2004 and seven months ended September 30, 2003 (unaudited), consisted of the following (in millions):

	2004 (unaudited)	2003
CIS Application Fees:		
March 1, 2003 transferred-in balance	\$ -	\$829
Beginning Balance – September 30, 2003	949	-
Collection deposited	1,354	580
Less: earned revenue (completed applications)	(1,429)	(439)
Adjustments for undeposited collections and other	15	(21)
Total CIS Application Fees	889	949
EPR Unexpired NFIP premium	1,095	1,008
Advances from Others	14	12
Deferred Credits	22	-
Total Deferred Revenue	\$2,020	\$1,969

CIS requires advance payments of the fees for applications or petitions for immigration, nationality and citizenship benefits. EPR's deferred revenue relates to unearned NFIP premiums that are reserved to provide for the unexpired period of insurance coverage.

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15. Accrued Payroll and Benefits

	2004 (unaudited)	2003
Accrued Funded Payroll and Benefits	\$495	\$499
Accrued Unfunded Leave	663	461
Unfunded Employment Related Liabilities	105	184
Actuarial FECA Liability	1,398	1,125
Other	31	6
Total Accrued Payroll and Benefits	\$2,692	\$2,275

Workers' Compensation

Claims incurred for the benefit of Department employees under FECA are administered by DOL and are ultimately paid by the Department. The accrued liability representing money owed for current claims at September 30, 2004 and 2003 includes \$240 million (unaudited) and \$178 million, respectively, and is included in other liabilities (see note 17). Future workers' compensation estimates, generated from an application of actuarial procedures developed by the DOL, for the future cost of approved compensation cases at September 30, 2004 and 2003, were \$1.4 billion and \$1.1 billion, respectively. Workers' compensation expense was \$130 million (unaudited) for the fiscal year ended September 30, 2004.

16. Military Service and Other Retirement Benefits

Accrued liability for military service and other retirement benefits at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
USCG Military Retirement and Healthcare Benefits	\$23,037	\$21,745
USCG Post-Employment Military Travel Benefits (unaudited)	83	201
USSS DC Pension Plan Benefits (unaudited)	3,382	3,339
Total Military Service and Other Retirement Benefits Liability	\$26,502	\$25,285

Financial Information

A. Military Retirement System Expense (unaudited)

The components of the Military Retirement System (MRS) expense for the year ended September 30, 2004, consisted of the following (in millions):

Defined Benefit Plan:	
Normal cost	\$419
Interest on the liability	1,162
Actuarial losses/(gains)	(101)
Actuarial Assumption Change	39
Plan Amendments	432
Total Defined Benefit Plan Expense	<u>1,951</u>
Post-retirement Healthcare:	
Normal cost	143
Interest on the liability	219
Losses/(gains) due to change in medical inflation rate assumptions	(128)
Total Post-retirement Healthcare Expense	<u>234</u>
Total MRS Expense	<u>\$2,185</u>

The USCG's MRS is comprised of the USCG Military Retirement System and the USCG Military Health Services System. The USCG's military service members (both active duty and reservists) participate in the MRS. USCG receives an annual "Retired Pay" appropriation to fund MRS benefits, thus the MRS is treated as a pay-as-you-go plan. The retirement system allows voluntary retirement for active members upon credit of at least 20 years of active service at any age. Reserve members may retire after 20 years of creditable service with benefits beginning at age 60. The health services plan is a post-retirement medical benefit plan, which covers all active duty and reserve members of the USCG. The retirement plan's only assets are accounts receivable representing unintentional overpayments of retiree benefits. The plan may subsequently recover such amounts through future benefit payment adjustments or may elect to waive its right to recover such amounts. The health services plan has no assets.

The unfunded accrued liability, presented as a component of the liability for military service and other retirement in the accompanying Consolidated Balance Sheet, represents both retired pay and health care benefits for non-Medicare eligible retirees/survivors. On October 1, 2002, USCG transferred the actuarial liability for payments for the health care benefits of Medicare eligible retirees and survivors to the Department of Defense Medicare-Eligible Retiree Health Care Fund (the Fund). USCG makes monthly payments to the Fund for current service members. Valuation of the plan's liability is based on the actuarial present value of accumulated plan benefits derived from the future payments that are attributable, under the retirement plan's provisions, to a participant's credited service as of the valuation date. Credited service is the years of service from active duty base date (or constructive date in the case of active duty reservists) to date of retirement measured in years and completed months. The present value of future benefits is then converted to an unfunded accrued liability by subtracting the present value of future employer/employee normal contributions. USCG plan participants may retire after 20 years of active service at any age with annual benefits equal to 2.5 percent of retired base pay for each year of credited service up to 75 percent of basic pay. Personnel who became members after August 1, 1986 may elect to receive a \$30,000 lump sum bonus after 15 years of service and reduced benefits prior to age 62. Annual disability is equal to the retired pay base multiplied by the larger of (1) 2.5 percent times years of service, or (2) percent disability. The benefit cannot be more than 75 percent of retired pay base. If a USCG member is disabled, the member is entitled to disability benefits, assuming the disability is at least 30 percent (under a standard schedule of rating disabilities by Veterans Affairs) and either: (1) the member has 8 years of

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service, (2) the disability results from active duty, or (3) the disability occurred in the line of duty during a time of war or national emergency or certain other time periods.

Military retirement system changes from prior year consist of the following:

- (1) **Concurrent Receipts** – on November 24, 2003, Public Law 108-136 came into effect. This law approves the phase-in of full concurrent receipt of military retired pay and veterans' disability compensation for certain military retirees who have veterans' disability compensation rated at 50 percent or higher. These new benefits are to begin phase-in beginning January 1, 2004 until full implementation on January 1, 2014.
- (2) **Combat-Related Special Compensation (CRSC)** – the CRSC program became effective May 31, 2003, for qualified retirees with combat-related disabilities. CRSC benefits are available for retirees with 20 years of service and who have disabilities that are the direct result of armed conflict, especially hazardous military duty, or training exercises that simulate war, or are caused by an instrumentality of war. The retiree must be compensated by the Department of Veterans Affairs and rated at least 10 percent disabled. The amount of the CRSC benefits is equal to the amount of VA disability compensation offset from retired pay based on those disabilities determined to be combat-related.
- (3) **"Redux" Benefit** – prior assumptions of the percentages of Redux participants electing the \$30,000 lump sum for both officers and enlisted were 41.59 percent and 48.5 percent, respectively. The actual combined experience of those electing the Redux benefit is 37.5 percent. The current assumption has been reduced to 40 percent.

The significant actuarial assumptions used to compute the MRS accrued liability are:

- (a) life expectancy is based upon the DoD death mortality table;
- (b) cost of living increases are 3.0 percent annually; and
- (c) annual rate of investment return is 6.25 percent.

B. District of Columbia Police and Fireman's Retirement System for U.S. Secret Service Employees (unaudited)

Special agents and personnel in certain job series hired by USSS before January 1, 1984, are eligible to transfer to the District of Columbia Police and Fireman's Retirement System (DC Pension Plan) after completion of ten years of protection related experience. All uniformed USSS officers who were hired before January 1, 1984, are automatically covered under this retirement system. Participants in the DC Pension Plan make contributions of 7 percent of base pay with no matching contribution made by USSS. Annuitants of this plan receive benefit payments directly from the DC Pension Plan. The USSS reimburses the District of Columbia for the difference between benefits provided to the annuitants, and payroll contributions received from current employees.

This liability is presented as a component of the liability for military service and other retirement benefits in the accompanying consolidated balance sheet. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires the administrative entity (administrator) to report the actuarial liability. However, the USSS adopted the provisions of SFFAS No. 5 because the administrator, the DC Pension Plan, is not a Federal entity and as such the liability for future funding would not otherwise be recorded in the United States government wide consolidated financial statements.

The liability and expense are computed using the aggregate cost method. The primary actuarial assumptions used to determine the liability at September 30, 2004 are:

- (1) life expectancy is based upon the *1994 Uninsured Pension (UP94)* tables;

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- (2) cost of living increases are 3.5 percent annually;
- (3) rates of salary increases are 3.5 percent annually; and
- (4) annual rate of investment return is 7.25 percent.

Total expenses related to the DC Pension Plan for the fiscal year ended September 30, 2004, were \$173 million, of which \$16 million was funded but not paid at September 30, 2004.

17. Other Liabilities

Other liabilities at September 30 consisted of the following (in millions):

	2004 (unaudited)	2003
Intra-governmental:		
Accrued FECA Liability	\$240	\$178
Advances from Others	139	77
Employer Benefits Contributions and Payroll Taxes	69	57
Other Intra-governmental Liabilities	115	37
Total Intra-governmental Other Liabilities	563	349
Public:		
Duties for Imports of Canadian Softwood Lumber (note 2)	2,940	1,439
Injured Domestic Industries (note 2)	332	247
Contingent Legal Liabilities (notes 12 and 19)	80	75
Capital Lease Liability (notes 12 and 18)	148	167
Environmental and Disposal Liabilities (notes 12 and 19)	159	98
Refunds and Drawbacks (note 2)	132	98
Other Public Liabilities	375	326
Total Public Other Liabilities	4,166	2,450
Total Other Liabilities	\$4,729	\$2,799

Intra-governmental accrued FECA liability primarily represents the unfunded workers' compensation for current claims. Intra-governmental other liabilities consist principally of current liabilities, while the majority of public other liabilities are considered non-current.

The *Continued Dumping and Subsidy Offset Act of 2000* calls for CBP to collect and disburse monies received in connection with antidumping and countervailing duty orders and findings to qualifying Injured Domestic Industries (IDI). Antidumping duties are collected when it is determined that a class or kind of foreign merchandise is being released into the U.S. economy at less than its fair value to the detriment of a U.S. industry. Countervailing duties are collected when it is determined that a foreign government is providing a subsidy to its local industries to manufacture, produce, or export a class or kind of merchandise for import into the U.S. commerce to the detriment of a U.S. industry. Antidumping and countervailing duties collected and due to IDIs at September 30, 2004 and 2003, totaled \$332 million and \$247 million, respectively. CBP has collected Canadian softwood lumber duties of \$2.9 billion and \$1.4 billion, respectively, as of September 30, 2004 and 2003. The duties will eventually be distributed, pursuant to rulings by the Department of Commerce (DOC). Duties for imports of Canadian softwood lumber are included in non-entity fund balance with Treasury, and represent a non-entity liability for which there is an anti-dumping dispute currently being litigated.

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Refunds and Other Payments

Disbursements from the refunds and drawback account for the fiscal year ended September 30, 2004, and the seven months ended September 30, 2003 consisted of the following (in millions):

	2004 (unaudited)	2003
Refunds	\$566	\$399
Drawback	404	159
Total	\$970	\$558

The disbursements include interest payments of \$45 million. In certain instances, a refund may be identified prior to liquidation for amounts remitted by the importer. These refunds are funded from the collections rather than the refunds and drawback account. For the fiscal year ended September 30, 2004, these refunds totaled \$251 million.

Amounts refunded during the fiscal year ended September 30, 2004, identified by entry year, consisted of the following (in millions):

Entry Year:	2004 (unaudited)	2003
2004	\$531	\$ -
2003	128	314
2002	64	84
2001	24	52
Prior Years	223	108
Total	\$970	\$558

The disbursement totals for refunds include antidumping and countervailing duties collected that are refunded pursuant to rulings by the DOC. These duties are refunded when the DOC issues a decision in favor of the foreign industry.

The total amounts of antidumping and countervailing duties vary from year to year depending on decisions from DOC. Antidumping and countervailing duty refunds (included in total refunds presented above) and associated interest refunded for the fiscal year ended September 30, 2004 and the seven months ended September 30, 2003, consisted of the following (in millions):

	2004 (unaudited)	2003
Antidumping and countervailing duty refunds	\$75	\$57
Interest	19	13
Total Antidumping and countervailing duty refunds	\$94	\$70

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18. Leases

A. Operating Leases (unaudited)

The Department leases various facilities and equipment under leases accounted for as operating leases. Leased items consist of offices, warehouses, vehicles and other equipment. The majority of office space occupied by the Department is either owned by the Federal Government or is leased by GSA from commercial sources. The Department is not committed to continue to pay rent to GSA beyond the period occupied providing proper advance notice to GSA is made and unless the space occupied is designated as unique to Department operations. However, it is expected the Department will continue to occupy and lease office space from GSA in future years and lease charges will be adjusted annually to reflect operating costs incurred by GSA.

As of September 30, 2004, estimated future minimum lease commitments under operating leases for equipment and GSA controlled leases are as follows (in millions):

	GSA	Non-GSA	Total
FY 2005	\$604	\$62	\$666
FY 2006	642	63	705
FY 2007	655	64	719
FY 2008	659	65	724
FY 2009	675	65	740
Beyond FY 2009	2,937	143	3,080
Total future minimum lease payments	\$6,172	\$462	\$6,634

The estimated future lease payments for GSA controlled leases are based on payments made during the year ended September 30, 2004. Lease payments to GSA are expected beyond fiscal year 2009; however, costs cannot be reasonably estimated.

B. Capital Leases

The Department maintains capital leases for equipment, buildings and commercial software license agreements. The liabilities associated with capital leases and software license agreements are presented as other liabilities in the accompanying consolidated financial statements based upon the present value of the future minimum lease payments.

Certain license agreements are cancelable depending on future funding. Substantially all of the net present value of capital lease obligations and software license agreements are expected to be funded from future sources.

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19. Contingent Liabilities and Other Commitments

A. Legal Contingent Liabilities

The estimated contingent liability recorded in the accompanying financial statements included with other liabilities for all probable and estimable litigation related claims at September 30, 2004, was \$80 million (unaudited), of which \$26 million is funded. (At September 30, 2003, the estimated contingent liability was \$75 million, of which \$17 million was funded). Asserted and pending legal claims for which loss is reasonably possible was estimated to range from \$3.8 billion to \$3.9 billion (unaudited), at September 30, 2004 and 2003. Approximately \$3.4 billion of this estimated range involves cases related to the 1995 bombing of Alfred P. Murrah Federal Building in Oklahoma City, that were transferred to the Department with the Federal Protective Service from the legacy agency.

The Department is subject to various other legal proceedings and claims. In management's opinion, the ultimate resolution of other actions will not materially affect the Department's financial position or net costs.

B. Environmental Cleanup Liabilities

The Department is responsible to remediate its sites with environmental contamination, and is party to various administrative proceedings, legal actions and tort claims which may result in settlements or decisions adverse to the Federal Government.

The source of remediation requirements to determine the environmental liability is based on compliance with Federal and state or local environmental laws and regulations. The major Federal laws covering environmental response, cleanup and monitoring are the *Comprehensive Environmental Response, Compensation and Liability Act* and the *Resource Conservation and Recovery Act*. Environmental cleanup liability of \$159 million (\$15 million funded) (unaudited), as of September 30, 2004 and \$98 million as of September 30, 2003, is presented with other liabilities in the accompanying Consolidated Balance Sheet. The liabilities consist primarily of fuel storage tank program, fuels, solvents, industrial, chemicals and other environmental cleanup associated with normal operations of the USCG. For Plum Island Animal Disease Center, under S&T, potential environmental liabilities that are not presently estimable could exist due to the facility's age, old building materials used and other materials associated with the facility's past use as a United States Army installation for coastline defense. Cost estimates for environmental and disposal liabilities are subject to revision as a result of changes in technology and environmental laws and regulations.

C. NFIP Premiums

NFIP premium rates are generally established for actuarially rated policies with the intent of generating sufficient premiums to cover losses and loss adjustment expenses of a historical average loss year and to provide a surplus to compensate the Insurance Underwriting Operations for the loss potential of an unusually severe loss year due to catastrophic flooding. Notwithstanding the foregoing, subsidized rates are charged on a countrywide basis for certain classifications of insured. These subsidized rates produce a premium less than the loss and loss adjustment expenses expected to be incurred in a historical average loss year. The subsidized rates do not include a provision for losses from catastrophic flooding. Subsidized rates are used to provide affordable insurance on construction or substantial improvements started on or before December 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (i.e., an official map of a community on which NFIP has delineated both the special hazard areas and the non-subsidized premium zones applicable to the community). Any future loss potential of catastrophic flooding cannot be meaningfully quantified as it relates to insurance policies in effect. Accordingly, the financial statements do not include any liability provision for future loss due to catastrophic flooding.

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D. Duty and Trade Refunds

There are various trade related matters that fall under the jurisdiction of other Federal agencies, such as the DOC, which may result in refunds of duties, taxes and fees collected by CBP, i.e., duties collected by CBP on imports of Canadian softwood lumber. Until a decision is reached by the other Federal agencies, CBP does not have sufficient information to estimate a contingent liability amount for trade related refunds under jurisdiction of other Federal agencies. All known refunds as of September 30, 2004, and 2003, have been recorded.

E. Loaned Aircraft and Equipment

The Department is generally liable to the DoD for damage or loss to aircraft on loan to ICE. As of September 30, 2004, ICE had 16 aircraft loaned from DoD with an acquisition value of \$94 million (unaudited). (These aircraft were reported as on loan to CBP, as of September 30, 2003. During fiscal year 2004, CBP transferred these loaned aircraft to ICE.) No damage or aircraft losses were accrued as of September 30, 2004.

F. Other Contractual Arrangements

In addition to future lease commitments discussed in Note 18, the Department is committed under contractual agreements for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all Department activities amounted to \$21 billion in fiscal year 2004.

TSA entered into Letters of Intent with eight major airports in which TSA may reimburse the airports for 75 percent of the cost (estimated at \$957 million) needed to modify the facilities for security purposes. These Letters of Intent would not obligate or commit TSA until funds are authorized and appropriated. In addition, the airports shall have title to any improvements to its facilities. During fiscal years 2004 and 2003, approximately \$213 million and \$47 million, respectively, were appropriated, obligated and are available for payments to the airports upon submission to TSA of an invoice for the modification costs incurred. As of September 30, 2004, TSA has received invoices or documentation for cost incurred totaling over \$72 million related to fiscal year 2004 and 2003 Letters of Intent.

20. Consolidated Statement of Net Cost & Net Costs of DHS Components (unaudited)

Operating costs are summarized in the Consolidated Statement of Net Cost by responsibility segment, as applicable to the reporting period. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue. A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to Departmental Management. For fiscal year 2004 the Department's responsibility segments were responsible for accomplishing the three objectives of the President's *National Strategy for Homeland Security*.

During fiscal year 2004, the Department interpreted the National Strategy and developed its first Strategic Plan, which included seven goals:

1. **Awareness:** Identify and understand threats, assess vulnerabilities and determine potential impacts. Disseminate timely and actionable information to our homeland security partners and the American public.
2. **Prevention:** Detect, deter, thwart and mitigate threats to our homeland.
3. **Protection:** Safeguard our people and their freedoms, critical infrastructure, property and the economy of our Nation from acts of terrorism, natural disasters and other emergencies.
4. **Response:** Lead, manage and coordinate the national response to acts of terrorism, natural disasters and other emergencies.
5. **Recovery:** Lead national, state, local and private sector efforts to restore services and rebuild communities after any act of terrorism, natural disaster and other emergency.
6. **Service:** Serve the public effectively by facilitating lawful trade, travel and immigration.
7. **Organizational Excellence:** Value our most important resource, our people. Create a culture that promotes a common identify, innovation, mutual respect, accountability and teamwork to achieve efficiencies, effectiveness and operational synergies.

Beginning with the fiscal year 2005 budget, the Department integrated budget and performance information as required by the *President's Management Agenda* and the *Government Performance and Results Act*. To integrate performance and financial information, a supplemental schedule of net cost is included in Other Accompanying Information, in which costs by program are allocated to Departmental strategic goals.

Due to the complexity of the Border and Transportation Security Directorate organizational structure, a supplemental schedule is presented to show the net cost of the Directorate's sub organizations.

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Statement of Net Cost sub-schedule:

Components of Border and Transportation Security (BTS) Directorate (in millions)

For the year ended September 30, 2004 (unaudited)

	Intra-governmental	With the Public	Total
BTS HQ (Office of Undersecretary)			
Gross Cost	\$6	\$5	\$11
Less Earned Revenue	-	-	-
Net Cost	6	5	11
CBP			
Gross Cost	1,545	4,582	6,127
Less Earned Revenue	(62)	(273)	(335)
Net Cost	1,483	4,309	5,792
ICE, FPS and FAM			
Gross Cost	742	3,586	4,328
Less Earned Revenue	(366)	(12)	(378)
Net Cost	376	3,574	3,950
TSA			
Gross Cost	571	5,387	5,958
Less Earned Revenue	(95)	(2,071)	(2,166)
Net Cost	476	3,316	3,792
SLGCP			
Gross Cost	151	1,698	1,849
Less Earned Revenue	(2)	(1)	(3)
Net Cost	149	1,697	1,846
FLETC			
Gross Cost	27	195	222
Less Earned Revenue	(24)	(2)	(26)
Net Cost	3	193	196
BTS Directorate Total			
Gross Cost	3,042	15,453	18,495
Less Earned Revenue	(549)	(2,359)	(2,908)
NET COST - BTS	\$2,493	\$13,094	\$15,587

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21. Gross Cost and Earned Revenue by Budget Subfunction (BSF) Classification (unaudited)

The Department's costs and revenue are included in the Financial Report of the U.S. Government, which is published by the Department of the Treasury. The Financial Report of the U.S. Government presents gross costs and earned revenue by budget subfunction (BSF). The following is the Department's gross cost and earned (exchange) revenue by BSF for the year ended September 30, 2004 (in Millions) and reported net of intra-departmental eliminations:

	National Defense	Pollution Control & Abatement	Agricultural Research & Services	Transportation	Community & Regional Development	Income Security	Administration of Justice	General Government	2004 Total
Agency Gross Cost:									
Gross Cost - Federal	\$769	\$19	\$31	\$1,723	\$896	\$ -	\$3,712	\$337	\$7,487
Less: Intra-Departmental Eliminations	(15)	-	(4)	(27)	(30)	-	(447)	(160)	(683)
Inter-Departmental Gross Cost - Federal	754	19	27	1,696	866	-	3,265	177	6,804
Gross Cost - Public	563	95	(269)	13,017	7,586	152	10,733	865	32,742
Agency Gross Cost	\$1,317	\$114	(\$242)	\$14,713	\$8,452	\$152	\$13,998	\$1,042	\$39,546
Agency Exchange Revenue:									
Exchange Revenue - Federal	\$1	\$ -	\$109	\$316	\$151	\$ -	\$532	\$336	\$1,445
Less: Intra-Departmental Eliminations	(1)	-	(72)	(131)	(31)	-	(358)	(86)	(679)
Inter-Dept. Exchange Revenue - Federal	-	-	37	185	120	-	174	250	766
Exchange Revenue - Public	-	17	5	2,121	1,901	-	1,546	62	5,652
Agency Exchange Revenue	\$ -	\$17	\$42	\$2,306	\$2,021	\$ -	\$1,720	\$312	\$6,418
Agency Net Cost	\$1,317	\$97	(\$284)	\$12,407	\$6,431	\$152	\$12,278	\$730	\$33,128

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22. Combined Statement of Budgetary Resources (SBR) (unaudited)

The Combined Statement of Budgetary Resources (SBR) provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into generally accepted accounting principles for the Federal Government. The total Budgetary Resources of \$53,879 million for fiscal year 2004 includes new budget authority, unobligated balances at the beginning of the year and transferred in/out, spending authority from offsetting collections, recoveries of prior year obligations and adjustments.

A. Appropriations Received

Appropriations received on the SBR of \$38,303 million will not match the amounts reported on the Consolidated Statement of Changes in Net Position (SCNP) of \$33,410 million due to \$4,893 million of trust and special fund receipts that are not reflected in the unexpended appropriations section of the SCNP.

B. Permanently Not Available/Adjustments

Budgetary resources permanently not available on the SBR of \$2,563 million do not agree with the unavailable appropriations returned to Treasury of \$2,398 million on the SCNP due to: (1) reclassification of trust funds from unexpended appropriation to cumulative net results of operations which has no effect on the SBR; (2) authority permanently unavailable that was processed through cumulative results of operations and not unexpended appropriations; (3) repayments of debt that were processed through payables and not unexpended appropriations; and (4) reductions of borrowing authority that have no effect on the proprietary accounts.

C. Apportionment Categories of Obligations Incurred

Apportionment categories are determined in accordance with the guidance provided in *OMB Circular A-11, Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for other time periods; for activities, projects, or objectives; or for any combination thereof (in millions).

	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred - Direct	\$24,260	\$18,634	\$734	\$43,628
Obligations Incurred - Reimbursable	2,015	854	11	2,880
Total Obligations Incurred	\$26,275	\$19,488	\$745	\$46,508

D. Borrowing Authority for EPR

The NFIP has borrowing authority of \$1.5 billion available as of September 30, 2004 for disaster relief purposes. NFIP loans are for a three-year term. Interest rates are obtained from the Bureau of Public Debt. Simple interest is calculated monthly, and is offset by any interest rebate, if applicable. Interest is paid semi-annually on October 1 and April 1. Partial loan repayments are permitted. Principal repayments are required only at maturity, but are

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permitted at any time during the term of the loan. At the end of the fiscal year, borrowing authority is reduced by the amount of any unused portion. EPR's liability for borrowed amounts was \$8 million at September 30, 2004.

Under Credit Reform, the unsubsidized portion of direct loans is borrowed from the Treasury. The repayment terms of EPR's borrowing from Treasury are based on the life of each cohort of direct loans. Proceeds from collections of principal and interest from the borrowers are used to repay the Treasury. In addition, an annual reestimate is performed to determine any change from the original subsidy rate. If an upward reestimate is determined to be necessary, these funds are available through permanent indefinite authority. Once these funds are appropriated, the original borrowings are repaid to the Treasury.

EPR maintains three funds under the *Credit Reform Act*:

- 70-4234: Disaster Assistance Direct Loan Financing
- 70-0703: Disaster Assistance Direct Loan Program (no-year)
- 70-0703: Disaster Assistance Direct Loan Program (annual)

E. Non-Budgetary, Credit Program and Financing Account

Included in the SBR are amounts for the Department's one financing account in EPR for Disaster Assistance Direct Loan. This non-budgetary financing account is not presented separately on the SBR because the amounts and impact are immaterial. Financing account information for the fiscal year ended September 30, 2004 is presented below (in millions):

Budgetary Resources

Budget Authority:	
Borrowing Authority	\$26
Spending Authority from Offsetting Collections:	
Receivable from Federal Sources	(3)
Recoveries of Prior Year Obligations	3
Permanently Not Available:	
Other Authority Withdrawn	(26)
Total Budgetary Resources	\$0
Total Status of Budgetary Resources	\$0
Total Outlays	\$0

F. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government

The SBR has been prepared to coincide with the amounts shown in the President's Budget (Budget of the U.S. Government). The actual amounts for fiscal year 2004 in the President's Budget have not been published at the time these financial statements were prepared. The President's Budget with the actual fiscal year 2003 amounts was released in February 2004, and the actual fiscal year 2004 amounts are estimated to be released in February 2005.

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The Department's fiscal year 2003 budget amounts does not match the fiscal year 2003 President's Budget, primarily due to the SBR reflecting only seven months covering the period from March 1, 2003 to September 30, 2003, whereas the President's Budget has been annualized and covers the period from October 1, 2002 to September 30, 2003. The SBR includes expired appropriations while the Budget does not.

G. Adjustments to Beginning Balance of Budgetary Resources

The Oil Spill Liability Trust Fund is managed by the U.S. Department of Treasury's Bureau of Public Debt (BPD). During fiscal year 2004, the Office of Budget and Management (OMB) directed two adjustments to comply with *OMB Circular A-11* and applicable *U.S. Standard General Ledger Guidance*. The BPD was first required to change Federal Agencies' Centralized Trial-Balance System (FACTS II) budgetary reporting to reflect receipts unavailable for obligation upon collection, rather than unobligated funds exempt from apportionment. The second change required adjusting the Fund's beginning balances to reflect investment authority available. These changes required a downward adjustment of \$782 million to the unobligated balance as presented in the Statement of Budgetary Resources.

23. Permanent Indefinite Appropriations

Permanent indefinite appropriations refer to the appropriations that result from permanent public laws, which authorize the Department to retain certain receipts. The amount appropriated depends upon the amount of the receipts rather than on a specific amount. The Department has two permanent indefinite appropriations as follows:

- CBP has a permanent and indefinite appropriation, which is used to disburse tax and duty refunds, and duty drawbacks. Although funded through appropriations, refund and drawback activity is, in most instances, reported as a custodial activity of the Department. This presentation is appropriate because refunds are custodial revenue-related activity in that refunds are a direct result of taxpayer overpayments of their tax liabilities. Federal tax revenue received from taxpayers is not available for use in the operation of the Department and is not reported on the Consolidated Statement of Net Cost. Likewise, the refunds of overpayments are not available for use by the Department in its operations. Refunds and drawback disbursements totaled \$970 million (unaudited) for the fiscal year ended September 30, 2004 and \$558 for the seven months ended September 30, 2003, and are presented as a use of custodial revenue on the Statement of Custodial Activity.
- USSS has a permanent and indefinite appropriation, which is used to reimburse the District of Columbia Police and Fireman's Retirement System (DC Pension Plan) for the difference between benefits provided to the annuitants (employees) eligible to participate in the DC Pension Plan (see note 16), and payroll contributions received from current employees.

These appropriations are not subject to budgetary ceilings established by Congress. CBP's refunds payable at year-end are not subject to funding restrictions. Refund payment funding is recognized as appropriations are used.

24. Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

Unobligated balances, whose period of availability has expired, are not available to fund new obligations. Expired unobligated balances are available to pay for current period adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until (1) specifically rescinded by law; or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for two consecutive years.

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Included in the cumulative results of operations for special funds is \$1,015 million that represents the Department's authority to assess and collect user fees relating to merchandise and passenger processing, to assess and collect fees associated with services performed at certain small airports or other facilities, retain amounts needed to offset costs associated with collecting duties, and taxes and fees for the government of Puerto Rico. These special fund balances are restricted by law in their use to offset specific costs incurred by the Department. In addition, the Department is required to maintain \$30 million in its User Fees Account. Part of the passenger fees in the User Fees Account, totaling approximately \$730 million (unaudited) and \$640 million at September 30, 2004 and 2003 respectively, is restricted by law in its use to offset specific costs incurred by the Department and are available to the extent provided in Department Appropriation Acts.

The entity trust fund balances result from the Department's authority to use the proceeds from general order items sold at auction to offset specific costs incurred by the Department relating to their sale, to use available funds in the Salaries and Expense Trust Fund to offset specific costs for expanding border and port enforcement activities, and to use available funds from the Harbor Maintenance Fee Trust Fund to offset administrative expenses related to the collection of the Harbor Maintenance Fee.

25. Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources and the Changes in Components Requiring or Generating Resources in Future Periods (unaudited)

The relationship between the amounts reported as liabilities not covered by budgetary resources on the balance sheet and amounts reported as components requiring or generating resources in future periods on the Statement of Financing were analyzed. The differences are primarily due to the increase in the USCG actuarial pension liability of \$1.3 billion in fiscal year 2004, which does not generate net cost of operations or require the use of budgetary resources.

26. Dedicated Collections

The Department administers various Trust Funds that receive dedicated collections. In the U.S. Government budget, Trust Funds are accounted for separately and used only for specified purposes. A brief description of the major Trust Funds and their purpose follows.

A. Oil Spill Liability Trust Fund

The Oil Spill Liability Trust Fund (OSLTF) was established by the *Oil Pollution Act (OPA) of 1990, P.L. 101-380*, to help facilitate cleanup activities and compensate for damages from oil spills. The OSLTF account includes the parent OSLTF fund that is managed by BPD, the USCG Oil Spill Recovery transfer account, the USCG Trust Fund Share of Expenses transfer account and the USCG OPA Claims transfer account. These three transfer accounts fund outlays through SF-1151 non-expenditure transfers from the BPD OSLTF parent fund.

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B. Boat Safety Account

The USCG's Boat Safety Account was established by *Federal Boat Safety Act (FBSA) of 1971, P.L. 92-75*, to "encourage greater State participation and uniformity in boating safety efforts, and particularly to permit the States to assume the greater share of boating safety education, assistance and enforcement activities." The Boat Safety Account receives funding from the Department of Interior's Sport Fish Restoration Account, which is funded in part from the Aquatic Resource Trust Fund (ARTF) managed by Bureau of Public Debt (BPD). Funds are available until expended (no-year). Outlays in this account are funded through SF-1151 non-expenditure transfers from the Sport Fish account.

Condensed financial information as of and for the fiscal year ended September 30, 2004 and as of and for the seven months ended September 30, 2003, is presented below (in millions):

	2004 (unaudited)		2003	
	Oil Spill Liability Trust Fund	Boat Safety Account	Oil Spill Liability Trust Fund	Boat Safety Account
Assets:				
Investments	\$838	\$ -	\$965	\$ -
Other Assets	26	68	48	58
Total Assets	\$864	\$68	\$1,013	\$58
Liabilities:				
Accounts Payable	\$1	\$19	\$ -	\$23
Other Liabilities	-	-	3	-
Total Liabilities	1	19	3	23
Net Position:				
Transfers In without Reimbursement	1,010	35	1,000	100
Non-Exchange Revenue	(32)	64	52	-
Less: Program Expenses	(115)	(50)	(42)	(65)
Net Position	863	49	1,010	35
Total Liabilities and Net Position	\$864	\$68	\$1,013	\$58

27. Transfer of the Strategic National Stockpile (unaudited)

The transfer of the Strategic National Stockpile (SNS) pursuant to *Project Bioshield Act of 2004* had an effect on all of the Department's fiscal year 2004 financial statements, except for the Statement of Custodial Activity.

The following lines on the Department's Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Consolidated Statement of Financing and Combined Statement of Budgetary Resources include the transfer out of assets, liabilities, net position and budgetary resources of the SNS as of August 13, 2004, the date of transfer.

Consolidated Balance Sheet (In Millions)

Fund Balance with Treasury	\$626
Operating Materials and Supplies, Inventory and Stockpile	924
Property, Plant and Equipment, Net	5
Total Assets	<u>\$1,555</u>
Accounts Payable	\$88
Unexpended Appropriations	538
Cumulative Results of Operations	929
Total Liabilities and Net Position	<u>\$1,555</u>

Consolidated Statement of Net Cost (In Millions)

Costs – Intra-governmental	\$98
Less Earned Revenue – Intra-governmental	-
Net Cost – Intra-governmental	<u>\$98</u>
Costs – With the Public	\$ -
Less Earned Revenue – With the Public	-
Net Cost – With the Public	<u>\$ -</u>
Net Cost of Operation	<u>\$98</u>

Financial Information

Consolidated Statement of Changes in Net Position (SCNP) and Consolidated Statement of Financing (SOF) (In Millions)

Appropriations Transferred In/Out (Unexpended Appropriations) – SCNP only	\$538
Other Financing Sources (Non-Exchange): Transfers In/Out without Reimbursement (Cumulative Results) – Both SCNP and SOF	<u>\$929</u>

Combined Statements of Budgetary Resources (In Millions)

Budgetary Resources – Budget Authority – Net Transfers, Current Year	\$11
Budgetary Resources – Budget Authority – Net Transfers, Balance	<u>\$53</u>
Budgetary Resources – Unobligated Balance – Net Transfers	\$64
Budgetary Resources – Relationship of Obligations to Outlays – Obligated Balance Transferred, Net	<u>\$561</u>

Required Supplementary Information (unaudited)

Deferred Maintenance

The Department components use condition assessment as the method for determining the deferred maintenance for each class of asset. The procedure includes reviewing equipment, building and other structure logistic reports. Component logistic personnel identify maintenance not performed as scheduled and establish future performance dates. Logistic personnel use a condition assessment survey to determine the status of referenced assets according to the range of conditions shown below:

Good. Facility/equipment condition meets established maintenance standards, operates efficiently and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition. There is no deferred maintenance on buildings or equipment in good condition.

Fair. Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency and to achieve normal life expectancy.

Poor. Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases, this includes condemned or failed facilities. Based on periodic condition assessments, an indicator of condition is the percent of facilities and item of equipment in each of the good, fair, or poor categories.

In fiscal year 2004, the Department reported \$591 million in deferred maintenance on general property, plant and equipment and heritage assets. This amount represents maintenance on vehicles, vessels and buildings and structures owned by the Department that was not performed when it should have been or was scheduled to be and which is delayed for a future period.

A summary of deferred maintenance at September 30, 2004 is presented below (in millions):

	Deferred Maintenance	Asset Condition
Building & Structures	\$467	Poor to Fair
Equipment (vehicles and vessels)	92	Poor to Fair
Heritage assets	32	Poor to Fair
Total	\$591	

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Intra-Governmental Transaction Disclosures

Intra-governmental transaction amounts represent transactions between Federal entities included in the Financial Report of the U.S. Government (formerly the Consolidated Financial Statements of the U.S. Government) published by the U.S. Department of the Treasury. All amounts presented are net of intra-departmental eliminations.

The amount of intra-governmental assets and liabilities classified by trading partner at September 30, 2004 and 2003, are summarized below (in millions).

Intra-governmental Assets as of September 30, 2004 (In Millions)

Partner Agency	Fund Balance with Treasury	Investments and Related Interest	Advances and Prepayments	Other
Treasury General Fund	\$ -	\$-	\$ -	\$170
Department of Commerce	-	-	3	-
Department of Interior	-	-	-	69
Department of Justice	-	-	83	61
Department of Labor	-	-	63	-
Department of the Navy	-	-	12	17
Department of State	-	-	-	13
Department of Treasury	33,436	1,625	15	40
Social Security Administration	-	-	-	5
Department of the Army	-	-	-	12
National Science Foundation	-	-	-	6
Department of Transportation	-	-	2,673	6
Office of the Secretary of Defense Agencies	-	-	37	80
Other	-	-	-	2
Totals	\$33,436	\$1,625	\$2,886	\$481

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Intra-governmental Assets as of September 30, 2003 (In Millions)

Partner Agency	Fund Balance with Treasury	Investments and Related Interest	Advances and Prepayments	Other
Treasury General Fund	\$ -	\$ -	\$ -	\$109
Department of Commerce	-	-	10	-
Department of Interior	-	-	8	62
Department of Justice	-	-	11	54
Department of the Navy	-	-	87	(113)
Department of State	-	-	-	23
Department of Treasury	27,343	1,546	32	184
General Services Administration	-	-	-	7
National Science Foundation	-	-	-	8
Environmental Protection Agency	-	-	-	5
Department of Transportation	-	-	2,772	40
Dept of Health & Human Services	-	-	37	-
U.S. Army Corps of Engineers	-	-	-	7
Office of the Secretary of Defense Agencies	-	-	-	40
Other	-	-	97	(11)
Totals	\$27,343	\$1,546	\$3,054	\$415

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

Intra-governmental Liabilities as of September 30, 2004 (In Millions)

Partner Agency	Due to Treasury	Accounts Payable	Other
Treasury General Fund	\$1,257	\$ -	\$8
Department of Agriculture	-	16	2
Department of Commerce	-	-	-
Department of Interior	-	12	-
Department of Justice	-	123	30
Department of Labor	-	-	242
Department of the Navy	-	38	7
Department of State	-	7	13
Department of Treasury	-	(4)	26
Department of Veterans Affairs	-	10	4
Department of the Army	-	24	41
Office of Personnel Management	-	4	52
Social Security Administration	-	-	9
General Services Administration	-	18	63
Environmental Protection Agency	-	10	1
Department of the Air Force	-	18	2
Department of Transportation	-	12	34
Department of Health & Human Services	-	40	6
Department of Energy	-	127	3
U.S. Army Corps of Engineers	-	136	-
Office of the Secretary of Defense Agencies	-	316	12
Other	-	4	8
Totals	\$1,257	\$911	\$563

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Intra-governmental Liabilities as of September 30, 2003 (In Millions)

Partner Agency	Due to Treasury	Accounts Payable	Other
Treasury General Fund	\$1,209	\$-	\$3
Department of Justice	-	17	6
Department of Labor	-	-	184
Department of the Navy	-	78	(10)
Department of State	-	4	5
Department of Treasury	-	5	10
Department of the Army	-	6	-
Office of Personnel Management	-	-	27
General Services Administration	-	57	10
Department of Transportation	-	-	34
Department of Health & Human Services	-	24	-
U.S. Army Corps of Engineers	-	20	59
Office of the Secretary of Defense Agencies	-	124	9
Other	-	63	12
Totals	\$1,209	\$398	\$349

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

FY 2004 Intra-governmental Exchange Revenue from Trade Transactions (In Millions)

Partner Agency	Exchange Revenue
Executive Office of the President	\$8
Department of Agriculture	7
Department of Commerce	7
Department of Interior	7
Department of Justice	152
Department of the Navy	24
Department of State	52
Department of Treasury	70
Department of the Army	102
Social Security Administration	101
General Services Administration	16
National Science Foundation	13
Environmental Protection Agency	25
Department of Transportation	135
Department of Health & Human Services	19
Department of Education	7
National Transportation Safety Board	16
Other	5
Totals	\$766

FY 2004 Cost to Generate Intra-governmental Exchange Revenue, by BSF (In Millions)

Budget Subfunction	Cost
Transportation	\$123
Community and Regional Development	87
Administration of Justice	147
General Government	840
Total	\$1,197

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

FY 2004 Intra-governmental Non-Exchange Revenue (In Millions)

Partner Agency	Transfers-In	Transfers-Out
Department of Interior	\$ -	\$7
Department of Treasury	240	161
General Services Administration	101	-
Environmental Protection Agency	-	16
Department of Transportation	-	13
Other	2	5
Totals	\$343	\$202

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Combined Schedule of FY 2004 Budgetary Resources by Responsibility Segments (In Millions)

BUDGETARY RESOURCES	Border and Transport- ation Security	Emergency Preparedness & Response	Information Analysis & Infrastructure Protection	Science & Technology	U.S. Coast Guard	U.S. Secret Service	U.S. Citizenship & Immigration Services	Depart- mental Offices & Other	Total
Budget Authority:									
Appropriations Received	\$19,467	\$6,793	\$839	\$918	\$6,928	\$1,341	\$1,551	\$466	\$38,303
Borrowing Authority	-	26	-	-	-	-	-	-	26
Net Transfers	619	(63)	-	-	204	-	(25)	22	757
Unobligated Balance:									
Beginning of Period	3,464	3,306	25	352	1,023	101	190	198	8,659
Net Transfers	76	(45)	11	-	-	(1)	-	-	41
Spending Authority from Offsetting Collections:									
Earned:									
Collected	3,843	2,046	1	-	311	27	11	43	6,282
Receivable from Federal Sources	(30)	(3)	-	-	42	-	(4)	4	9
Change in Unfilled Customer Orders:									
Advances Received	37	25	-	22	(25)	22	10	(4)	87
Without Advances From Federal Sources	(21)	215	-	2	(5)	(2)	7	62	258
Transfers from Trust Funds	3	-	-	-	52	-	-	-	55
Total Spending Authority from Offsetting Collections	3,832	2,283	1	24	375	47	24	105	6,691

(continued)

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

Combined Schedule of FY 2004 Budgetary Resources by Responsibility Segments (In Millions), continued

	Border and Transport- ation Security	Emergency Preparedness & Response	Information Analysis & Infrastructure Protection	Science & Technology	U.S. Coast Guard	U.S. Secret Service	U.S. Citizenship & Immigration Services	Depart- mental Offices & Other	Total
Recoveries of Prior Year Obligations	1,220	483	6	-	63	16	187	7	1,982
Temporarily Not Available Pursuant to Public Law	-	(17)	-	-	-	-	-	-	(17)
Permanently Not Available	(2,056)	(288)	(15)	(5)	(145)	(46)	(4)	(4)	(2,563)
TOTAL BUDGETARY RESOURCES	\$26,622	\$12,478	\$867	\$1,289	\$8,448	\$1,458	\$1,923	\$794	\$53,879

STATUS OF BUDGETARY RESOURCES

Obligations Incurred:

Direct	\$21,543	\$9,958	\$760	\$891	\$7,021	\$1,362	\$1,557	\$536	\$43,628
Reimbursable	1,934	389	1	17	350	42	49	98	2,880
Total Obligations Incurred	23,477	10,347	761	908	7,371	1,404	1,606	634	46,508
Unobligated Balances Available:									
Apportioned	2,091	2,026	80	381	858	11	110	134	5,691
Exempt from Apportionment	-	10	-	-	32	-	-	-	42
Unobligated Balances Not Available	1,054	95	26	-	187	43	207	26	1,638
TOTAL STATUS OF BUDGETARY RESOURCES	\$26,622	\$12,478	\$867	\$1,289	\$8,448	\$1,458	\$1,923	\$794	\$53,879

(continued)

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

Combined Schedule of FY 2004 Budgetary Resources by Responsibility Segments (In Millions), continued

	Border and Transport- ation Security	Emergency Preparedness & Response	Information Analysis & Infrastructure Protection	Science & Technology	U.S. Coast Guard	U.S. Secret Service	U.S. Citizenship & Immigration Services	Depart- mental Offices & Other	Total
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS									
Obligated Balance, Net, Beginning of Period	\$7,605	\$8,038	\$192	\$119	\$2,489	\$268	\$679	\$299	\$19,689
Obligated Balance Transferred, Net	-	(561)	2	-	-	-	-	-	(559)
Obligated Balance, Net, End of Period:									
Accounts Receivable	(198)	(21)	-	-	(145)	-	(69)	(4)	(437)
Unfilled Customer Orders from Federal Sources	(488)	(336)	(1)	(2)	(72)	(9)	(2)	(71)	(981)
Undelivered Orders	9,035	8,463	412	356	2,044	246	427	371	21,354
Accounts Payable	2,378	2,038	140	217	751	54	176	112	5,866
Total Obligated Balance, Net, End of Period	\$10,727	\$10,144	\$551	\$571	\$2,578	\$291	\$532	\$408	\$25,802
Outlays:									
Disbursements	\$19,200	\$6,983	\$400	\$455	\$7,182	\$1,368	\$1,563	\$450	\$37,601
Collections	(3,883)	(2,070)	(1)	(23)	(339)	(49)	(21)	(38)	(6,424)
Total Outlays	15,317	4,913	399	432	6,843	1,319	1,542	412	31,177
Less: Offsetting Receipts	(2,292)	(2)	-	-	(20)	(1)	(1,464)	-	(3,779)
NET OUTLAYS	\$13,025	\$4,911	\$399	\$432	\$6,823	\$1,318	\$78	\$412	\$27,398

See accompanying Independent Auditors' Report.
Required Supplementary Information

Financial Information

Custodial Activity

Substantially all duty, tax and fee revenues collected by CBP are remitted to various General Fund accounts maintained by Treasury. Treasury further distributes these revenues to other Federal agencies in accordance with various laws and regulations. CBP transfers the remaining revenue (generally less than two percent of revenues collected) directly to other Federal agencies, the Governments of Puerto Rico and the U.S. Virgin Islands, or retains funds as authorized by law or regulations. Refunds of revenues collected from import/export activities are recorded in separate accounts established for this purpose and are funded through permanent indefinite appropriations. These activities reflect the non-entity, or custodial, responsibilities that CBP, as an agency of the Federal Government, has been authorized by law to enforce.

CBP reviews selected documents to ensure all duties, taxes and fees owed to the Federal Government are paid and to ensure regulations are followed. If CBP believes duties, taxes, fees, fines, or penalties are due in addition to estimated amounts previously paid by the importer/violator, the importer/violator is notified of the additional amount due. CBP regulations allow the importer/violator to file a protest on the additional amount due for review by the Port Director. A protest allows the importer/violator the opportunity to submit additional documentation supporting their claim of a lower amount due or to cancel the additional amount due in its entirety. Work in progress will continue until all protest options have expired or an agreement is reached. During this protest period, CBP does not have a legal right to the importer/violator's assets, and consequently CBP recognizes accounts receivable only when the protest period has expired or an agreement is reached. For fiscal year 2004, CBP had legal right to collect \$1.3 billion of receivables. In addition, there is an additional \$1.58 billion representing records still in the protest phase. CBP recognized as write-offs \$136 million of assessments that the Department has statutory authority to collect at yearend, but has no future collection potential. Most of this amount represents fines, penalties and interest. CBP also estimated that trust funds are neither overstated nor understated as of September 30, 2004.

USCG collects various fines, penalties and miscellaneous user fees from the public that are deposited to the general fund miscellaneous receipts of the U.S. Treasury. USCG does not collect taxes or duties. As of September 30, 2004, USCG had outstanding general fund receipt receivables due to the Treasury General Fund of \$14 million.

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Segment Information (in millions):

	September 30, 2004			September 30, 2003		
	Working Capital Fund	Revolving Fund: Supply	Revolving Fund: Yard	Working Capital Fund	Revolving Fund: Supply	Revolving Fund: Yard
Fund Balance with Treasury	\$51	\$32	\$30	\$90	\$12	\$51
Accounts Receivable	4	6	6	1	14	1
Property, Plant and equipment	-	-	55	28	-	55
Other Assets	-	36	14	10	41	(45)
Total Assets	\$55	\$74	\$105	\$129	\$67	\$62
Accounts Payable	\$3	\$23	\$3	\$1	\$13	(\$3)
Other Liabilities	-	-	47	7	-	9
Total Liabilities	3	23	50	8	13	6
Cumulative Results of Operations	52	51	55	121	54	56
Total Liabilities and Net Position	\$55	\$74	\$105	\$129	\$67	\$62
Total Costs	\$77	\$99	\$79	\$16	\$3	\$8
Exchange Revenue	8	96	78	26	7	7
Excess of Revenues and Financing Sources over Costs	(\$69)	(\$3)	(\$1)	\$10	\$4	(\$1)

The Department's Working Capital Fund (WCF) is a fee-for-service entity that is fully reimbursable. The WCF provides a variety of support services primarily to the Department's components, and to other Federal entities. The WCF operates on a revolving fund basis, whereby current-operating expenses charged to the customer finance the cost of goods and services. The overall financial goal of the fund is to fully cover the operating expenses while building a minimal capital improvement reserve.

The USCG Yard revolving fund (Yard Fund) finances the industrial operations at the USCG Yard in Curtis Bay, Maryland and other USCG industrial sites. The USCG Supply revolving fund (Supply Fund) finances the procurement of uniform clothing, commissary provisions at USCG dining facilities, general stores, technical material and fuel for vessels over 180 feet in length.

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Financial Information

Risk Assumed Information

The Department has performed an analysis of the contingencies associated with the unearned premium reserve for the National Flood Insurance Program (NFIP). That analysis shows unearned premium reserve is greater than the combined values of (i) the estimated present value of unpaid expected losses and (ii) other operating expenses associated with existing policy contracts. Therefore, the Department can state the unearned premium reserve will be adequate to pay future losses and other operating expenses associated with existing policy contracts. However, there is a remote chance that the volume of flood losses in the next year could exceed the unearned premium reserve.

Our estimate of the present value of unpaid expected losses is based on a loss ratio (losses to premium), which is then multiplied by the current unearned premium reserve. This loss ratio is derived from the NFIP actual historical premium, historical losses and historical mix of business, each adjusted to today's level. More specifically, historical premiums have been adjusted to reflect the premium levels of the present by making adjustments for historical rate changes and historical changes in coverage amounts. Historical losses have been adjusted for inflation, using inflation indexes such as the Consumer Price Index as well as chain price indexes, to reflect the values that historical losses would settle as if they were settled today. In addition, the historical mix of business is adjusted to reflect today's mix of business. Examples of how the historical mix of business includes proportionately fewer pre-firm policies versus post-firm policies are in force today. Also, there are proportionately more preferred risk policies in force than in past years.

**See accompanying Independent Auditors' Report.
Required Supplementary Information**

Required Supplementary Stewardship Information (unaudited)

Heritage Assets

USCG and CBP maintain heritage assets, located in the United States, including the commonwealth of Puerto Rico. Heritage assets are property, plant and equipment that have historical or national significance; cultural, educational, or artistic importance; or significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely. Multi-use heritage assets have more than one purpose such as an operational purpose and historical purpose.

The following table summarizes activity related to Heritage Assets from October 1, 2003, to September 30, 2004 (in number of units).

	USCG	CBP	Total
Beginning Balance	\$19,619	4	19,623
Additions	516	-	516
Withdrawals	(205)	-	(205)
Ending Balance	\$19,930	4	19,934

USCG possesses artifacts that can be divided into four general areas: ship's equipment, lighthouse and other aids-to-navigation items, military uniforms and display models. The addition of artifacts is the result of gifts to USCG.

- Ship's equipment is generally acquired when the ship is decommissioned and includes small items such as sextants, ship's clocks, wall plaques, steering wheels, bells, binnacles, engine order telegraphs and ship's name boards. Conditions will vary based upon use and age.
- Aids-to-navigation items include fog and buoy bells, lanterns, lamp changing apparatus and lighthouse lenses. Buoy equipment is usually acquired when new technology renders the equipment obsolete. Classical lighthouse lenses can vary in condition. The condition is normally dependent on how long the item has been out of service. The lenses go to local museums or USCG bases as display items.
- Military uniforms are generally donated by retired USCG members and include clothing as well as insignia and accessories. Most clothing is in fair to good condition, particularly full dress items.
- Display models are mostly of USCG vessels and aircraft. These are often builders' models. Display models are generally in very good condition. Builders' models are acquired by USCG as part of the contracts with the ship or aircraft builders. The withdrawal of display models normally results from excessive wear.

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Financial Information

The USCG also has non-collection type heritage assets, such as sunken vessels and aircraft under the property clause of the *U.S. Constitution*, Articles 95 and 96 of the *International Law of the Sea Convention* and the sovereign immunity provisions of *Admiralty* law. Despite the passage of time or the physical condition of these assets, they remain Government-owned until the Congress of the United States formally declares them abandoned. The USCG desires to retain custody of these assets to safeguard the remains of crew members who were lost at sea, to prevent the unauthorized handling of explosives or ordnance which may be aboard and to preserve culturally valuable relics of the USCG's long and rich tradition of service to our Nation in harm's way.

Buildings and Structures - USCG does not acquire or retain heritage buildings and structures without an operational use. Most real property, even if designated as historical, is acquired for operational use and is transferred to other government agencies or public entities when no longer required for operations. Of the USCG buildings and structures designated as heritage, including memorials, recreational areas and other historical areas, over two-thirds are multi-use heritage. The remaining are historical lighthouses, which are no longer in use and awaiting disposal; their related assets; and a gravesite. CBP also has four multi-use heritage assets located in Puerto Rico. All multi-use heritage assets are reflected on the Consolidated Balance Sheet. Financial information for multi-use heritage assets is presented in the principal statements and notes. Deferred maintenance information for heritage assets and general PP&E is presented in the required supplementary information.

Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation. When incurred, they are treated as expenses in calculating net cost, but they are separately reported as Required Supplementary Stewardship Information (RSSI) to highlight the extent of investments that are made for long-term benefit. Investments are not presented for fiscal year 2003 since amounts reported in the Department's Consolidated Statement of Net Cost is not presented on a comparative basis.

Summary of Stewardship Investments (in millions)

Programs	Non-Federal Property	Human Capital	Research and Development
TSA- Airport Improvement Program	\$287	\$-	\$-
TSA - Port Security Grant Program	218	-	-
TSA - Intercity Bus Security Grant Program	18	-	-
TSA - Highway Watch Cooperative Agreement	-	8	-
TSA - Applied Research Projects	-	-	30
TSA - Operation Safe Commerce	-	-	50
EPR-National Fire Academy and Emergency Management Institute	-	25	-
SLGCP - First Responders Training Programs	-	23	-
USCG - R&D	-	-	19
Total	\$523	\$56	\$99

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Financial Information

Investments in Non-federal Physical Property

These investments represent federally financed (but not federally owned) purchases, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations and replacements, the purchase of major equipment; and the purchase or improvement of other physical assets. Based on a review of the Department's programs, TSA has made significant investments in Non-federal Physical Property.

TSA

Airport Improvement Program: TSA purchases and installs in-line explosive detection systems (EDS) equipment through a variety of funding mechanisms, including Congressionally-authorized Letters of Intent (LOIs). LOIs provide partial reimbursement to airports for facility modifications required to install in-line EDS solutions. TSA has issued eight LOIs for nine airports to provide for the facility modifications necessary to accommodate in-line EDS screening solutions at these airports.

In-line systems also allow TSA to achieve maximum baggage throughput capacity. For example, a stand-alone EDS system can screen 180 bags per hour, while an in-line unit can screen 450 bags per hour. An added benefit is that installation of an in-line EDS system removes checked baggage screening operations from the airport lobby. However, in-line EDS systems are considerably more costly than stand-alone EDS. Many airports are not configured to accommodate installation of EDS technology in-line without extensive facility modifications. These funds are available only for physical modification of commercial service airports for the purpose of installing checked baggage explosive detection systems.

Port Security Grant Program: This program provides grants to critical national seaports to support efforts in port security through enhanced facility and operational security. These grants contribute to important security upgrades such as surveillance equipment, access controls to restricted areas, communications equipment and the construction of new command and control facilities.

Intercity Bus Security Grant Program: This program improves security for intercity bus operators and passengers. TSA will award grants based on the following program categories:

- Vehicle specific security enhancements, such as, but not limited to, protecting or isolating the driver, alarms, security mirrors, etc.;
- Monitoring, tracking and communication technologies for over-the-road buses;
- Implementation and operation of passenger and baggage screening programs at terminals and over-the road buses;
- Development of an effective security assessment/security plan that identifies critical security needs and vulnerabilities;
- Training for drivers, dispatchers, ticket agents and other personnel in recognizing and responding to criminal attacks and terrorist threats, evacuation procedures, passenger screening procedures and baggage inspection;
- Facility security enhancements (alteration/renovation – new vice replacement) to terminals, garages and facilities, including but not limited to: fencing, lighting, secured access, locking down of vehicles and other general securing of bus yards/depots.

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Financial Information

Investments in Human Capital

These investments include expenses incurred for programs for education and training of the public that are intended to increase or maintain national productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. Based on a review of the Department's programs, TSA and EPR have made significant investments in Human Capital.

TSA

Highway Watch Cooperative Agreement: This cooperative agreement between the TSA and the American Trucking Associations (ATA) expands ATA's Highway Watch program, which trains highway professionals to identify and report safety and security situations on our Nation's roads. The program will provide training and communications infrastructure to prepare 400,000 transportation professionals to respond in the event they or their cargo are the target of a terrorist attack and to share valuable intelligence with TSA if they witness potential threats. The intelligence will allow Federal agencies and industry stakeholders to quickly move to prevent an attack or to immediately respond if an attack occurs.

EPR

National Fire Academy and Emergency Management Institute: These investments represent costs of training and professional development provided by EPR's National Fire Academy and Emergency Management Institute. During fiscal year 2004, training was provided to over 67,000 emergency management "first responders" at the state and local fire and emergency response community and its allied professionals. EPR links its investments in Human Capital to two outcomes:

- **Percentage of respondents reporting that they are better prepared to deal with disasters and emergencies as a result of the training they received:** EPR's target in fiscal year 2004 was 78 percent and they achieved 76.4 percent. EPR's long-term goal in fiscal year 2010 is 90 percent.
- **Percentage of counties in the US and territories with established Community Emergency Response Team (CERT) teams:** EPR's target in fiscal year 2004 was 5 percent and they achieved 23.9 percent.

SLGCP

Training Programs: In fiscal year 2004, SLGCP trained approximately 250,000 first responders to prevent and respond to acts of terrorism. Examples of training programs include:

- **The Center for Domestic Preparedness (CDP):** CDP provided training for State, local, tribal and parish emergency responders on all matters pertaining to terrorism to include Weapons of Mass Destruction.
- **The National Domestic Preparedness Consortium (NDPC):** NDPC is a partnership between SLGCP, three nationally recognized public universities and the U.S. Department of Energy. The NDPC works with SLGCP to identify training needs for all emergency response disciplines responsible for WMD terrorism prevention, deterrence and incident response.

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Financial Information

- **Continuing and Emerging Training:** SLGCP, in conjunction with Federal, State and local training providers as well as emergency response practitioners, identified emerging training needs based on continuous task analysis and performance assessment, exercise after action reports and data reported in State and Urban Area homeland security strategies.

Investments in Research and Development

These investments represent expenses incurred to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national productive capacity or yielding other future benefits. Based on a review of the Department's programs, TSA and the USCG have made significant investments in Research and Development.

TSA

Applied Research Projects: TSA funds applied research projects and grants to develop advance security technology equipment and systems. Projects include partnerships with George Mason University, the Regional Maritime Security Coalition and the Federal Aviation Administration. These applied research projects include human factors research intended to enhance screener capabilities, improve person-machine performance and increase human system effectiveness; ongoing certification testing of EDS and explosive trace detection (ETD) technology; and infrastructure protection research related to use biometrics for access controls for passenger tracking.

Operation Safe Commerce: Operation Safe Commerce is a pilot program that brings together private business, ports, local, state and Federal representatives to analyze current security procedures for cargo entering the country. The ports of Seattle and Tacoma, Los Angeles and Long Beach, and the Port Authority of New York/New Jersey are participating in the pilot program. The program will function like a venture capital fund to utilize existing technology to monitor the movement and integrity of containers through the supply chain. Selected ports will test new technologies and initiatives in selected supply chains. The new technologies will look at improving security during the process of stuffing and deconsolidating containers, physically securing and monitoring containers as they are transported through the supply chain, and exchanging timely and reliable communication.

USCG

The USCG's Research and Development Program seeks to research, develop, test and evaluate technologies, materials and human factors directly related to improving the performance of the Coast Guard's missions. During fiscal year 2004, the USCG collaborated with 35 external partners to demonstrate progress towards closing USCG mission performance gaps:

- **Maritime Safety:** Maritime Safety research supports the Coast Guard's efforts by enhancing capabilities toward eliminating deaths, injuries and property damage associated with maritime transportation, fishing and recreational boating.
- **Maritime Mobility:** This research supports the enhancement of capabilities required to perform the Aids to Navigation and Ice Operations missions.
- **Marine Environmental Protection:** This program focuses on elimination of the influx of aquatic nuisance species (ANS) and prevention and response strategies to major oil and hazardous substance discharges.

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Financial Information

- **Homeland Security:** Homeland Security research supports enhancements in the enforcement of laws and treaties and security of the Nation's ports, waterways and coastal zone. The two major investment areas within this R&D program include detection, identification and classification of maritime threats and the improvement of interdiction capabilities.
- **Technology Investment:** Technology Investment research supports the Coast Guard's efforts towards the Department's Strategic Goal of Organizational Excellence. The primary purpose of this research is to increase performance capabilities and to free resources to perform other high priority functions. The two primary areas of focus within this program are Technology Awareness and Assessment and Command Center Concept Exploration.

**See accompanying Independent Auditors' Report.
Required Supplementary Stewardship Information**

Other Accompanying Information (unaudited)

Net Costs of Department Sub-organizations by Strategic Goals (In Millions)

	Awareness	Prevention	Protection	Response	Recovery	Service	Organizational Excellence	TOTAL
BTS Directorate:								
BTS HQ	\$ -	\$9	\$1	\$1	\$ -	\$ -	\$ -	\$11
CBP	-	5,379	-	-	-	413	-	5,792
ICE	58	3,155	737	-	-	-	-	3,950
TSA	151	2,473	1,018	37	-	-	113	3,792
SLGOP	-	-	1,846	-	-	-	-	1,846
FLE	22	88	85	-	-	-	1	196
Subtotal - BTS Directorate	231	11,104	3,687	38	-	413	114	15,587
EPR Directorate								
IAIP Directorate	140	-	1,592	1,125	3,271	-	-	5,988
S&T Directorate	66	439	126	100	24	-	-	497
USCG	560	4,840	1,564	975	113	108	-	755
USSS	-	-	1,368	-	-	-	-	8,160
CIS	-	99	-	-	-	349	-	1,368
Departmental Operations/Other								
	-	-	-	-	-	-	325	448
TOTAL Department	\$997	\$16,482	\$8,694	\$2,238	\$3,408	\$870	\$439	\$33,128

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Other Accompanying Information